

**CITY OF PIGEON FORGE, TENNESSEE**  
**FINANCIAL STATEMENTS, SUPPLEMENTARY**  
**INFORMATION AND OTHER REPORT**  
**For the Fiscal Year Ended June 30, 2015**



# CITY OF PIGEON FORGE, TENNESSEE

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## INTRODUCTORY SECTION

**CITY OF PIGEON FORGE, TENNESSEE**  
**ROSTER OF ELECTED AND MANAGEMENT OFFICIALS**  
**June 30, 2015**

David W. Wear	Mayor
Kevin McClure	Vice-Mayor
Joyce Brackins	Commissioner
Jay Ogle	Commissioner
Ken Maples	Commissioner
Earlene Teaster	City Manager
Eric Brackins	Assistant City Manager
Dennis Clabo	City Recorder
Jim Gass	City Attorney

## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Commissioners  
City of Pigeon Forge, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the budgetary comparison for the general fund of the City of Pigeon Forge, Tennessee, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pigeon Forge and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Of Certified Public Accountants

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14 and the Schedule of Funding Progress on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pigeon Forge's basic financial statements. The information in the other supplementary information section, including the combining and individual nonmajor fund financial statements, and the information in the introductory and other unaudited supplementary information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information included in the other supplementary information section as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information included in the other supplementary information section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information included in the introductory and other unaudited supplementary information sections as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015, on our consideration of the City of Pigeon Forge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee  
December 14, 2015



## Management's Discussion and Analysis

As management of the City of Pigeon Forge, Tennessee, ("the City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015.

### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$157,312,628 (net position). Of this amount, \$62,404,774 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's current year increase in net position was \$9,541,065.
- The governmental funds had a current year excess of revenues and other financing sources over expenditures and other financing uses of \$6,026,519. As of the close of the June 30, 2015 fiscal year, the City's governmental funds reported combined ending fund balances of \$48,412,406. Approximately 84% of this balance was available for spending at the government's discretion (unrestricted fund balance).
- At the end of the current fiscal year, unrestricted fund balance for the general fund was \$40,253,504, or approximately 70% of total general fund expenditures.
- The City had an S&P rating of AA on all of the City's outstanding debt at June 30, 2015.
- Construction of the Cal Ripken Baseball Park began in August 2014 with an original contract in the amount of \$22,465,000. Bond Series 2014 was issued in December 2014 in the amount of \$9,750,000 and Series 2015 was issued in February 2015 in the amount of \$9,890,000 to fund the baseball project. Construction costs to date are approximately \$18,000,000.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This discussion and analysis will focus on the primary government, however details related to the component unit are also included. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Activities are considered either as those of the primary government (the government as legally defined) or those of the component unit (a legally separate entity for which the primary government is financially accountable).

The *statement of net position* presents information on all of the City's assets, liabilities and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include the general government fund, four special revenue funds and two capital project funds. The City's business-type activities include the water and sewer fund and the event center fund. The government-wide financials also include the City's only component unit, Industrial Development Board of the City of Pigeon Forge.

The government-wide financial statements can be found on pages 15 and 16 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City uses governmental and proprietary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget in the basic financial statements section of this report. Budgetary comparison for the special revenue funds may be found in the other supplementary information section of this report.

The basic governmental fund financial statements can be found on pages 17 and 19-20 of this report.

**Proprietary Funds.** The City uses enterprise funds to account for its water and sewer and events center operations. Enterprise funds are a type of proprietary fund used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer fund and LeConte Center fund operations. The proprietary funds are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 27 to 29 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 to 52 of this report.

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented on pages 54 and 55 of this report. Budgetary comparison schedules for the Special Revenue Funds and Proprietary Funds are presented on pages 56 to 63 following the combining financial statements.

Other supplementary schedules are presented on pages 64 to 67, and other unaudited supplemental information is presented on pages 68 to 74.

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$157,312,628 at the close of the June 30, 2015 fiscal year.

By far the largest portion of the City's net position (approximately 59%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Pigeon Forge, Tennessee's Net Position as of June 30, 2015 and 2014:**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Assets and Deferred Outflows</b>						
Current and Other Assets	\$ 56,078,494	\$ 46,475,875	\$ 29,179,351	\$ 45,379,384	\$ 85,257,845	\$ 91,855,259
Capital Assets, Net	137,668,276	122,352,302	140,572,036	124,868,620	278,240,312	247,220,922
Deferred Outflows of Resources	3,314,269	1,566,448	83,326	92,346	3,397,595	1,658,794
<b>Total Assets and Deferred Outflows</b>	<b>\$ 197,061,039</b>	<b>\$ 170,394,625</b>	<b>\$ 169,834,713</b>	<b>\$ 170,340,350</b>	<b>\$ 366,895,752</b>	<b>\$ 340,734,975</b>
<b>Liabilities, Deferred Inflows and Net Position</b>						
<b>Liabilities:</b>						
Current Liabilities	\$ 8,539,580	\$ 3,487,900	\$ 5,077,688	\$ 9,335,435	\$ 13,617,268	\$ 12,823,335
Noncurrent Liabilities	80,067,852	63,211,491	112,058,100	113,159,853	192,125,952	176,371,344
Total Liabilities	88,607,432	66,699,391	117,135,788	122,495,288	205,743,220	189,194,679
<b>Deferred Inflows of Resources</b>	<b>1,238,412</b>	<b>1,235,401</b>	<b>2,601,492</b>	<b>2,533,332</b>	<b>3,839,904</b>	<b>3,768,733</b>
<b>Net Position:</b>						
Net Investment in Capital Assets	65,560,825	63,337,946	27,203,869	29,015,814	92,764,694	92,353,760
Restricted	2,143,160	2,175,706	0	0	2,143,160	2,175,706
Unrestricted	39,511,210	36,946,181	22,893,564	16,295,916	62,404,774	53,242,097
Total Net Position	107,215,195	102,459,833	50,097,433	45,311,730	157,312,628	147,771,563
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$ 197,061,039</b>	<b>\$ 170,394,625</b>	<b>\$ 169,834,713</b>	<b>\$ 170,340,350</b>	<b>\$ 366,895,752</b>	<b>\$ 340,734,975</b>

An additional portion of the City's net position (\$2,143,160 or approximately 1.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$62,404,774) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in both the governmental and the business-type activity categories of net position as a whole.

Current and other assets in the governmental activities increased by approximately \$9,603,000. This increase is partially due to bond proceeds not yet spent held in investment accounts from the issuance of bond series 2015 which is being used for the construction of the Cal Ripken Baseball Park. In addition, revenue collected exceeded cash expenditures, resulting in an increase in certificates of deposit.

Capital assets in governmental activities increased by approximately \$15,316,000 primarily due to the ongoing construction of the Cal Ripken Baseball Park.

Current and other assets in the business type activities decreased approximately \$16,200,000 primarily due to remaining bond proceeds being used to continue wastewater treatment plant construction. Capital assets in business type activities increased approximately \$15,703,000 primarily due to the continued construction of the wastewater treatment plant.

Current liabilities in the governmental activities increased by approximately \$5,052,000 due to an overall increase in general accounts payable, an increase in current portion of long term debt and a capital contribution payable to the Industrial Development Board for economic development. Current liabilities in the business type activities decreased by approximately \$4,258,000. This is due primarily to a decrease in accounts payable. These increases and decreases are attributable to ongoing project construction.

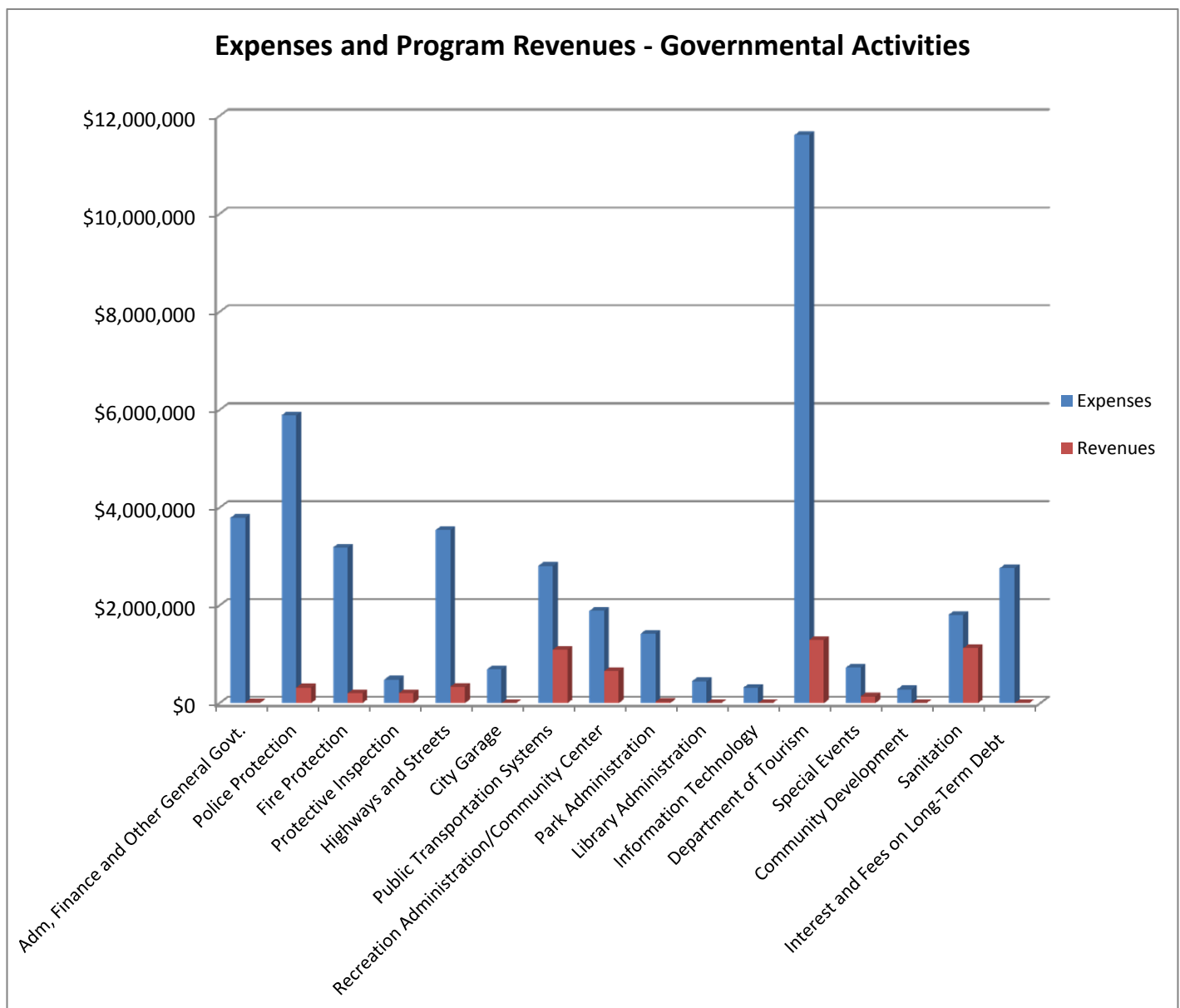
Noncurrent liabilities in the governmental activities increased by approximately \$16,856,000 primarily due to the issuance of bond series 2014 and 2015 to be used for the construction of the Cal Ripken Baseball Park. Noncurrent liabilities in the business type activities decreased by approximately \$1,102,000 primarily due to a reduction in scheduled debt service payments.

**City of Pigeon Forge, Tennessee's Changes in Net Position for the Years Ended June 30, 2015 and 2014:**

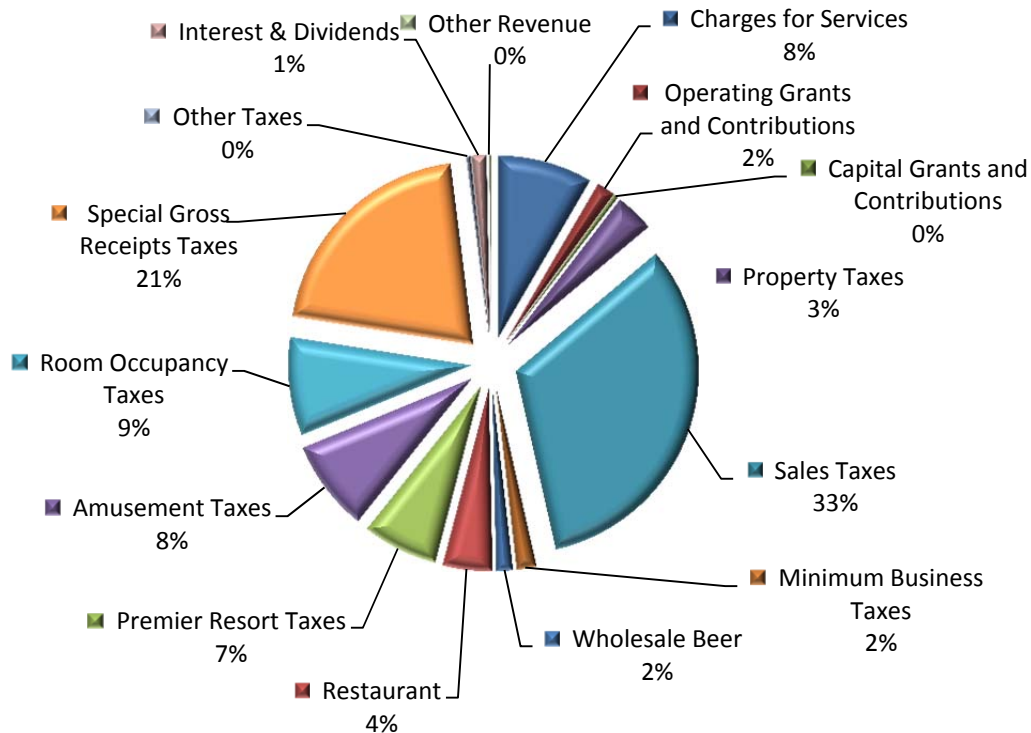
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 4,378,875	\$ 4,593,249	\$ 14,734,423	\$ 12,627,273	\$ 19,113,298	\$ 17,220,522
Operating Grants and Contributions	858,196	568,232	0	0	858,196	568,232
Capital Grants and Contributions	191,876	472,176	0	0	191,876	472,176
General Revenues:						
Taxes:						
Property	1,793,868	1,746,962	0	0	1,793,868	1,746,962
Sales	16,978,195	15,074,955	0	0	16,978,195	15,074,955
Premier Resort	3,468,598	3,468,652	0	0	3,468,598	3,468,652
Minimum Business	906,142	944,282	0	0	906,142	944,282
Restaurant	2,278,193	808,541	0	0	2,278,193	808,541
Wholesale Beer	759,187	772,497	0	0	759,187	772,497
Special Gross Receipts	10,696,082	9,699,995	0	0	10,696,082	9,699,995
Amusement	4,206,990	3,986,030	0	0	4,206,990	3,986,030
Room Occupancy	4,518,785	3,907,335	0	0	4,518,785	3,907,335
Other Taxes	193,531	180,310	0	0	193,531	180,310
Gain (Loss) on Disposition of Capital Assets	(319,292)	229,057	0	0	(319,292)	229,057
Other General Revenues	842,541	853,546	298,908	883,043	1,141,449	1,736,589
<b>Total Revenues</b>	<b>51,751,767</b>	<b>47,305,819</b>	<b>15,033,331</b>	<b>13,510,316</b>	<b>66,785,098</b>	<b>60,816,135</b>
<b>Expenses:</b>						
Administration, Finance and Other						
General Government	3,793,998	3,653,967	0	0	3,793,998	3,653,967
Police Protection	5,894,120	5,540,432	0	0	5,894,120	5,540,432
Fire Protection	3,186,687	3,082,126	0	0	3,186,687	3,082,126
Protective Inspection	484,344	542,868	0	0	484,344	542,868
Highways and Streets	3,543,093	3,162,067	0	0	3,543,093	3,162,067
City Garage	691,335	655,643	0	0	691,335	655,643
Public Transportation Systems	2,809,211	3,105,841	0	0	2,809,211	3,105,841
Recreation Administration /						
Community Center	1,889,468	1,897,068	0	0	1,889,468	1,897,068
Park Administration	1,424,846	1,223,147	0	0	1,424,846	1,223,147
Library Administration	450,476	423,536	0	0	450,476	423,536
Information Technology	318,064	451,523	0	0	318,064	451,523
Department of Tourism	11,612,316	11,407,166	0	0	11,612,316	11,407,166
Special Events	730,572	682,049	0	0	730,572	682,049
Community Development	285,841	192,304	0	0	285,841	192,304
Sanitation	1,808,389	1,903,010	0	0	1,808,389	1,903,010
Interest and Fees on Long-Term Debt	2,764,931	2,492,350	0	0	2,764,931	2,492,350
Water and Sewer	0	0	8,945,367	9,365,793	8,945,367	9,365,793
Events Center	0	0	5,038,641	3,290,680	5,038,641	3,290,680
Net Losses on Investment Portfolio	336,901	204,710	49,870	592,741	386,771	797,451
(Increase) Decrease in						
Fair Value of Derivatives	0	0	68,160	6,296	68,160	6,296
<b>Total Expenses</b>	<b>42,024,592</b>	<b>40,619,807</b>	<b>14,102,038</b>	<b>13,255,510</b>	<b>56,126,630</b>	<b>53,875,317</b>
<b>Capital Contributions, Net</b>	<b>(1,171,969)</b>	<b>(4,428,291)</b>	<b>54,566</b>	<b>5,570,457</b>	<b>(1,117,403)</b>	<b>1,142,166</b>
<b>Transfers</b>	<b>(3,799,844)</b>	<b>(1,131,503)</b>	<b>3,799,844</b>	<b>1,131,503</b>	<b>0</b>	<b>0</b>
Increase in Net Position	4,755,362	1,126,218	4,785,703	6,956,766	9,541,065	8,082,984
Net Position - Beginning of Year	102,459,833	101,333,615	45,311,730	38,354,964	147,771,563	139,688,579
Net Position - End of Year	<u>\$ 107,215,195</u>	<u>\$ 102,459,833</u>	<u>\$ 50,097,433</u>	<u>\$ 45,311,730</u>	<u>\$ 157,312,628</u>	<u>\$ 147,771,563</u>

**Governmental Activities** - Governmental activities increased the City's net position in the current year by \$4,755,362 compared to \$1,126,218 in 2014. Key elements of this increase are as follows:

- Sales tax revenue increased approximately \$1,903,000, restaurant tax increased approximately \$1,470,000, gross receipts tax revenue increased approximately \$996,000, amusement tax revenue increased approximately \$221,000, and room occupancy tax revenue increased approximately \$611,000 primarily due to improved economic conditions.
- Highways and Streets increased approximately \$381,000 primarily due to more paving work completed during the current year.
- Park Administration increased approximately \$202,000 primarily due to moving concessions from the Community Center to Park Maintenance.
- Information Technology expense decreased approximately \$133,000 primarily due to fewer large projects being completed in the current year.
- Interest and Fees on Long-Term Debt increased approximately \$273,000 due to changes in variable rate debt and issuance of bond series 2014 and 2015.



## Revenues by Source - Governmental Activities



As noted in the graphs charting expenses and program revenues and revenues by source, the City's largest expense is the promotion of the tourism industry. Accordingly, a large majority of the revenues the City collects is generated by taxes that are either directly or indirectly related to the tourism industry.

**Business-type Activities.** The business-type activities (water and sewer fund and events center fund) increased the City's net position by \$4,785,703 in the current year, compared to an increase of \$6,956,766 in the prior year. Key elements of the current year increase in net position related to business-type activities are as follows:

- Charges for services for the business-type activity increased by approximately \$2,107,000 primarily as a result of a rate increase in the current year in the water and sewer fund and twelve months of revenue from the Events Center in the current year compared to nine months of operations in the prior year.
- Other general revenues, consisting of interest income, decreased by approximately \$584,000 due to a reduction in interest on unspent bond proceeds in the current year.
- Water and sewer expenses decreased approximately \$420,000 due primarily to increased capitalization of interest expense.
- Total business-type activities expenses had a net increase of approximately \$847,000 compared to the prior year. This increase is primarily due to an increase in interest on capital lease, depreciation and other operating expenses for the LeConte Center in the current year due to its first full year of operations.
- The change in fair value of the interest rate swap (derivative) is recorded as an increase or decrease in net position. For 2015, the change was a decrease in fair value of \$68,160 as compared to a decrease in fair value of \$6,296 in 2014.
- The net loss on investment portfolio held by the business-type activities was a net loss of \$49,870 compared to a net loss in the prior year of \$592,741. This includes both realized and unrealized gains and losses on the portfolio.

**Discretely Presented Component Unit – Industrial Development Board**

	<b>Component Unit</b>	
	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Current and Other Assets	\$ 2,234,141	\$ 294,282
Net Investment in Capital Lease	49,022,029	49,337,818
Capital Assets, Net	1,500	0
Total Assets	<u>\$ 51,257,670</u>	<u>\$ 49,632,100</u>
<b>Liabilities:</b>		
Current Liabilities	\$ 756,163	\$ 918,147
Noncurrent Liabilities	50,315,849	50,731,976
Total Liabilities	<u>51,072,012</u>	<u>51,650,123</u>
<b>Deferred Inflows of Resources</b>	<u>2,000,000</u>	<u>0</u>
<b>Net position:</b>		
Net Investment in Capital Assets	0	0
Restricted	232,890	293,037
Unrestricted	(2,047,232)	(2,311,060)
Total Net Position (Deficit)	<u>(1,814,342)</u>	<u>(2,018,023)</u>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u>\$ 51,257,670</u>	<u>\$ 49,632,100</u>

	<b>Component Unit</b>	
	<b>2015</b>	<b>2014</b>
<b>Revenues:</b>		
Interest From Capital Lease	\$ 2,312,937	\$ 1,354,174
Interest and Dividends	151	24,058
	<u>2,313,088</u>	<u>1,378,232</u>
<b>Expenses:</b>		
Interest Expense	2,226,810	1,479,195
Change in Fair Value of Investments	0	2,110
Developer Contributions	1,000,000	0
	<u>3,226,810</u>	<u>1,481,305</u>
Increase (Decrease) in Net Position before Capital Contribution	(913,722)	(103,073)
Capital Contribution - to City of Pigeon Forge	(54,566)	(5,570,457)
Capital Contribution - from City of Pigeon Forge	1,171,969	4,428,291
Increase (Decrease) in Net Position	203,681	(1,245,239)
Net Position - Beginning of Year (Deficit)	(2,018,023)	(772,784)
Net Position - End of Year (Deficit)	<u>\$ (1,814,342)</u>	<u>\$ (2,018,023)</u>

As the City considered the future development of the new events center, the decision was made to use its own Industrial Development Board as the vehicle to accomplish the plan. The Board, which was originally formed in 1980 but had been inactive for many years, was reinstated with the State's approval in 2011. In 2011, the Board issued bonds in the amount of \$49,445,000 to fund the development of the new events center and a capital lease agreement was entered into where the Board agreed to lease all property of the events center to the City. Upon completion of construction of the LeConte Center in September 2013, all leased property was transferred and recorded as an asset of the City in the events center fund with a corresponding lease liability to the Board and with a lease receivable (net investment in capital lease) recorded on the Board. The actual bond liability remains on the books of the Board (included above in noncurrent liabilities). The Board is a separate legal entity from the City and therefore has been reported as a discretely presented component unit within these financial statements.

Lease revenues in 2015 and 2014 for the Board consist of interest revenue recognized from the LeConte Center lease agreement, however 2014 fiscal year interest revenue was only for a partial year. Current and prior year interest expense represents interest expensed for the related bond issue with 2014 being a partial year. A portion of the 2014 interest was also capitalized as construction period interest.

During 2015, the City granted a noncash capital contribution to the Board in the amount of \$171,969. This contribution resulted from a reduction in the balance due to the City of Pigeon Forge recorded in the statement of net position. The Board granted a noncash capital contribution to the City of Pigeon Forge representing the Board's purchase of additional machinery and equipment for use at the LeConte Center. This capital contribution made from the Board to the City's LeConte Center Fund was recorded in the amount of \$54,566.

In addition to the noncash contributions previously noted, the City and Board have entered into a contribution agreement to provide funding to the board for economic development. The City has funded \$1,000,000 in the current year as the first of three installments. These contributions are recorded in the City's statement of net position as capital contributions payable and deferred outflows of resources. Accordingly, the Board has recorded in the statement of net position capital contribution receivable and deferred inflows of resources. Capital contributions and developer contribution expense has been recorded in the statement of revenues, expenses and changes in net position of the Board.

The capital contributions in 2014 between the City and the Board relate to the construction and transfer of the LeConte Center, as discussed in Note 14.

### **Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$48,412,406, after a current year excess of revenues and other financing sources over expenditures and other financing uses of \$6,026,519. Approximately 84% of this ending fund balance, or \$40,634,971, constitutes unrestricted fund balance, which is available for spending at the government's discretion. The City has committed approximately \$70,846 of the unrestricted fund balance for future capital outlay and assigned approximately \$2,557,000 for various purposes. The restricted fund balance includes approximately \$9,405,000, less related debt, of unspent debt proceeds issued to fund various future capital outlay expenditures. The remainder of fund balance is nonspendable or restricted primarily for the purposes of the special revenue funds or the funds are invested in material inventories in the general fund.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted fund balance of the general fund was \$40,253,504, while total general fund balance reached \$46,017,903. As a measure of the general fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. The unrestricted general fund balance represents approximately 70% of total general fund expenditures, while the total general fund balance represents approximately 80% of total general fund expenditures.

The fund balance of the City's general fund increased by \$6,540,117 during the current fiscal year. General fund revenues in 2015 increased over 2014 by approximately \$4,415,000 (see discussion on revenue increases noted above) during the fiscal year and general fund expenditures increased by approximately \$13,602,000. The following expense increases/decreases were noteworthy:

- Other General Government increased approximately \$12,521,000 primarily due to construction costs on the Cal Ripken Baseball Park and Old Mill Underground Utility Project.
- Fire Protection and Control decreased by approximately \$1,109,000 primarily due to the purchase of an aerial platform truck replacement in the prior year.
- Highways and Streets increased by approximately \$645,000 primarily due to more paving work done in the current year.



- Park Administration increased by approximately \$175,000 primarily due to moving concessions from the Community Center budget to Park Maintenance budget.
- Police increased by approximately \$610,000 primarily due to job vacancies being filled and more vehicles being purchased in the current year.
- Intergovernmental sales tax in other nonmajor governmental funds increased approximately \$428,000 due to increase in TDZ revenue. The amount varies from year to year based upon economic activity in the development zone.

**Proprietary Fund.** The City's proprietary funds provide the same type of information found in the business-type activities section of the government-wide financial statements, but in more detail.

Unrestricted net position of the Proprietary Funds at the end of the year amounted to \$22,893,564. Other factors concerning the financial activity of this fund have already been addressed in the discussion of the business-type activities.

### **General Fund Budgetary Highlights**

The City made certain supplementary budgetary appropriations during the year. Differences between the original budget and the final amended budget amounted to net *increases* of budgeted expenditures and transfers totaling \$20,183,500.

The major adjustments are as follows:

- \$19,195,500 in increases allocated to Other General Government primarily due to construction costs on Jake Thomas Road Extension, Cal Ripken Baseball Park, contribution to Industrial Development Board for economic impact, greenway project, traffic signal, and Old Mill underground utilities that were incurred.
- \$143,000 in increases allocated to City Maintenance, primarily for the remaining costs associated with construction of office building that was originally budgeted but not completed in the prior year.
- \$286,100 in increases allocated to Highways and Streets, primarily for the replacement of a street sweeper that was totaled in an accident.

These *increases* were originally anticipated to be funded by reducing fund balance in the general fund.

### **Capital Asset and Debt Administration**

**Capital Assets.** The investment in capital assets for the City's governmental and business-type activities as of June 30, 2015, amounts to \$278,240,312 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, equipment, vehicles, park facilities, roads, highways, bridges and water/sewer infrastructure.

Major capital asset events during the current fiscal year included the following:

- The City purchased approximately \$733,000 of new vehicles for various departments.
- The City purchased various pieces of new equipment for approximately \$422,000 during the year.
- The City completed construction of a maintenance building in the amount of approximately \$230,000.
- The City completed the Riverwalk Road project in the amount of approximately \$4,893,000.
- The City completed two lift stations in the amount of approximately \$740,000.
- The City has several capital projects in the engineering and construction phases. The construction in progress net increase in the current year primarily includes additions to the following projects: Mill Creek and Middle Creek Lift Stations - \$678,000, Wastewater Treatment Plant and Reuse Line - \$14,652,000, Jake Thomas Water Tower - \$984,000, Old Mill Underground Utilities - \$470,000, Jake Thomas Road Extension - \$429,000, and Ripken Baseball Park Project - \$16,243,000.

Capital assets, net of depreciation, as of June 30, 2015 and 2014 are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 45,112,844	\$ 45,663,035	\$ 3,683,938	\$ 3,683,938	\$ 48,796,782	\$ 49,346,973
Construction in Progress	30,425,129	17,476,913	47,042,599	29,548,542	77,467,728	47,025,455
Buildings	19,377,369	19,147,047	52,044,138	52,044,138	71,421,507	71,191,185
Improvements Other Than Buildings	11,077,157	10,960,935	13,447,164	13,447,164	24,524,321	24,408,099
Machinery and Equipment	5,441,166	5,200,423	2,407,928	2,249,674	7,849,094	7,450,097
Vehicles	14,158,191	15,033,640	1,007,346	956,074	15,165,537	15,989,714
Infrastructure	53,752,628	48,859,923	51,949,521	51,209,498	105,702,149	100,069,421
Accumulated Depreciation	(41,676,208)	(39,989,614)	(31,010,598)	(28,270,408)	(72,686,806)	(68,260,022)
	<u>\$ 137,668,276</u>	<u>\$ 122,352,302</u>	<u>\$ 140,572,036</u>	<u>\$ 124,868,620</u>	<u>\$ 278,240,312</u>	<u>\$ 247,220,922</u>

Additional information on the City's capital assets can be found in Note 7 on pages 39 through 41 of this report.

	Component Unit	
	2015	2014
Land	\$ 0	\$ 0
Construction in Progress - Event Center	1,500	0
Accumulated Depreciation	0	0
	<u>\$ 1,500</u>	<u>\$ 0</u>

**Long-term Debt.** At the end of the current fiscal year, the City had total debt outstanding of \$196,130,953. All of the debt is backed by the full faith and credit of the City. Additionally, the City has pledged certain revenues to retire some its long-term debt issuances. The City's long-term debt as of June 30, 2015 and 2014 is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 63,596,721	\$ 47,056,942	\$ 52,148,258	\$ 52,798,057	\$ 115,744,979	\$ 99,854,999
Loans Payable to the Public						
Building Authority of Sevier County	17,235,000	17,235,000	12,230,000	12,325,000	29,465,000	29,560,000
Capital Lease	0	0	48,830,000	49,145,000	48,830,000	49,145,000
	<u>80,831,721</u>	<u>64,291,942</u>	<u>113,208,258</u>	<u>114,268,057</u>	<u>194,039,979</u>	<u>178,559,999</u>
Plus (Less) Premiums on Issuance	2,142,190	2,019,770	(51,216)	(48,404)	2,090,974	1,971,366
Total	<u>\$ 82,973,911</u>	<u>\$ 66,311,712</u>	<u>\$ 113,157,042</u>	<u>\$ 114,219,653</u>	<u>\$ 196,130,953</u>	<u>\$ 180,531,365</u>

The City's total debt increased by approximately \$15,600,000 (9%) during the current fiscal year. This change is primarily due to the issuance of bond series 2014 and 2015 to be used for the construction of the Cal Ripken Baseball Park.

	Component Unit	
	2015	2014
Public Facility Bonds Series 2011	\$ 48,830,000	\$ 49,145,000
Plus Premiums on Issuance	1,815,849	1,901,976
Total	<u>\$ 50,645,849</u>	<u>\$ 51,046,976</u>

In August 2011, the Industrial Development Board issued bond series 2011 in the amount of \$49,445,000 to fund the development of the events center. The liability for these bonds remains on the books of the Board, but upon the recording of the capital lease with the City in September 2013, a corresponding lease receivable (net investment in capital lease) has been recorded on the Board.

Portions of the long-term debt consist of loans payable to the Public Building Authority of Sevier County (Authority). The loan agreements provide for the Authority to issue variable rate bonds and loan the proceeds to the City on an as needed basis for various capital projects. Under certain of the loan agreements, the Authority, at the request of the City, entered into interest rate swap agreements in order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt. The intention of the swaps was to effectively change the City's variable interest rates on the bonds to synthetic fixed rates.

Additional information on the City's long-term debt can be found in Note 9 on pages 41 through 45 of this report.

### **Deferred Inflows and Outflows of Resources**

Deferred outflows of resources consist of deferred charges resulting from debt refundings and deferred capital contributions. Deferred inflows of resources consist of property taxes and the negative fair value of the derivative instrument. Deferred outflows of resources increased approximately \$1,739,000 due to \$2,000,000 in deferred capital contributions due to the Board for economic development in the Pigeon Forge community. The Board's deferred inflows of resources consist of capital contributions receivable from the City for development.

### **Future Outlook and Next Year's Budget**

The general fund revenue estimates for next year (fiscal year ended June 30, 2016) were projected with an increase of 7.3%. During the current fiscal year, unrestricted fund balance in the general fund increased by \$7,148,633 to become \$40,253,504 at year-end.

The water and sewer fund budget for next year was prepared using a projected operating revenue increase of approximately 3.4%.

In April of 2006, the State of Tennessee approved the City's application for a Tourist Development Zone (TDZ). The boundaries of the TDZ are within the boundaries of the City's Central Business Improvement District. The City plans to invest up to \$179 million to develop new Qualified Public Use Facilities within the TDZ. These planned public use facilities, which are part of the City's strategy to continue to enhance tourism and economic development in Pigeon Forge and the state of Tennessee, include a civic events center, central trolley station, amphitheater and festival center. Other planned TDZ projects include a wastewater treatment plant expansion, improvements to roadways and other necessary public infrastructure improvements, all of which should facilitate significant new private development. To date, the City has purchased land and completed a public parking lot, made sewer line improvements, incurred continuing construction costs related to the construction of a new waste water treatment plant, and the new LeConte Center was completed in September 2013. The estimated cost of the improvements expected to be constructed, installed or improved within and for the TDZ are to be financed through the sale of bonds, with such bonds to be paid through an apportionment of the incremental increase in sales and use taxes generated as a result of the improvements, pursuant to the authority set out in the Tennessee Convention Center and Tourism Development Financing Act of 1998. Since commencement of the improvements under the TDZ, the City has issued debt totaling approximately \$113 million through June 30, 2015 for the projects listed above and expects to issue the remaining debt and complete these projects over the next several years.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of City Manager, P.O. Box 1350, City of Pigeon Forge, Tennessee, 37868.

CITY OF PIGEON FORGE, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit Industrial Development Board
<b>- ASSETS -</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 16,896,457	\$ 14,515,888	\$ 31,412,345	\$ 1,251
Certificates of Deposit	15,037,625	4,665,102	19,702,727	0
Receivables, Net	7,012,886	1,402,634	8,415,520	0
Net Investment in Capital Lease - Current Portion	0	0	0	330,000
Due from Component Unit	234,141	0	234,141	0
Capital Contributions Receivable	0	0	0	1,000,000
Inventories	371,420	288,166	659,586	0
<b>Total Current Assets</b>	<b>39,552,529</b>	<b>20,871,790</b>	<b>60,424,319</b>	<b>1,331,251</b>
<b>NONCURRENT ASSETS</b>				
Restricted Assets				
Cash and Cash Equivalents	3,411,127	1,338,482	4,749,609	0
Investments	9,404,574	968,557	10,373,131	232,890
Receivable - TDZ and Streets	3,710,264	0	3,710,264	0
Net Investment in Capital Lease	0	0	0	48,692,029
Capital Contributions Receivable	0	0	0	1,000,000
Investment in Joint Venture	0	6,000,522	6,000,522	0
Capital Assets				
Nondepreciable	75,537,973	50,726,537	126,264,510	1,500
Depreciable, Net of Accumulated Depreciation	62,130,303	89,845,499	151,975,802	0
<b>Total Noncurrent Assets</b>	<b>154,194,241</b>	<b>148,879,597</b>	<b>303,073,838</b>	<b>49,926,419</b>
<b>Total Assets</b>	<b>193,746,770</b>	<b>169,751,387</b>	<b>363,498,157</b>	<b>51,257,670</b>
<b>- DEFERRED OUTFLOWS OF RESOURCES -</b>				
Deferred Capital Contributions	2,000,000	0	2,000,000	0
Deferred Charge on Refunding	1,314,269	83,326	1,397,595	0
<b>Total Deferred Outflows of Resources</b>	<b>3,314,269</b>	<b>83,326</b>	<b>3,397,595</b>	<b>0</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 197,061,039</b>	<b>\$ 169,834,713</b>	<b>\$ 366,895,752</b>	<b>\$ 51,257,670</b>
<b>- LIABILITIES -</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 4,322,894	\$ 1,774,172	\$ 6,097,066	\$ 0
Interfund Balances, Net	(1,657,441)	1,657,441	0	0
Due to Other Local Government	73,358	0	73,358	0
Due to Primary Government	0	0	0	234,141
Capital Contribution Payable	1,000,000	0	1,000,000	0
Accrued Interest	165,204	417,968	583,172	192,022
Taxes Payable	7,800	67,409	75,209	0
Compensated Absences	721,706	61,757	783,463	0
Long-Term Debt - Current Portion	3,906,059	1,098,941	5,005,000	330,000
<b>Total Current Liabilities</b>	<b>8,539,580</b>	<b>5,077,688</b>	<b>13,617,268</b>	<b>756,163</b>
<b>NONCURRENT LIABILITIES</b>				
Capital Contribution Payable	1,000,000	0	1,000,000	0
Long-Term Debt	79,067,852	112,058,100	191,125,952	50,315,849
<b>Total Noncurrent Liabilities</b>	<b>80,067,852</b>	<b>112,058,100</b>	<b>192,125,952</b>	<b>50,315,849</b>
<b>Total Liabilities</b>	<b>88,607,432</b>	<b>117,135,788</b>	<b>205,743,220</b>	<b>51,072,012</b>
<b>- DEFERRED INFLOWS OF RESOURCES -</b>				
Deferred Current Property Taxes	1,238,412	0	1,238,412	0
Derivative Instrument - Interest Rate Swap	0	2,601,492	2,601,492	0
Deferred Capital Contributions	0	0	0	2,000,000
<b>Total Deferred Inflows of Resources</b>	<b>1,238,412</b>	<b>2,601,492</b>	<b>3,839,904</b>	<b>2,000,000</b>
<b>- NET POSITION -</b>				
Net Investment in Capital Assets	65,560,825	27,203,869	92,764,694	0
Restricted	2,143,160	0	2,143,160	232,890
Unrestricted	39,511,210	22,893,564	62,404,774	(2,047,232)
<b>Total Net Position (Deficit)</b>	<b>107,215,195</b>	<b>50,097,433</b>	<b>157,312,628</b>	<b>(1,814,342)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<b>\$ 197,061,039</b>	<b>\$ 169,834,713</b>	<b>\$ 366,895,752</b>	<b>\$ 51,257,670</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF PIGEON FORGE, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

					Net (Expenses) Revenues and Changes in Net Assets			
Program Revenues					Primary Government			Component Unit
FUNCTIONS AND PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Industrial Development Board
<b>Governmental Activities</b>								
Administration, Finance and Other								
General Government	\$ 3,793,998	\$ 14,386	\$ 0	\$ 0	\$ (3,779,612)	\$ 0	\$ (3,779,612)	\$ 0
Police Protection	5,894,120	308,598	4,070	9,582	(5,571,870)	0	(5,571,870)	0
Fire Protection	3,186,687	48,751	0	153,930	(2,984,006)	0	(2,984,006)	0
Protective Inspection	484,344	208,626	0	0	(275,718)	0	(275,718)	0
Highways and Streets	3,543,093	89,511	247,065	0	(3,206,517)	0	(3,206,517)	0
City Garage	691,335	0	0	0	(691,335)	0	(691,335)	0
Public Transportation Systems	2,809,211	489,087	607,061	0	(1,713,063)	0	(1,713,063)	0
Recreation Administration/Community Center	1,889,468	655,268	0	0	(1,234,200)	0	(1,234,200)	0
Park Administration	1,424,846	0	0	28,364	(1,396,482)	0	(1,396,482)	0
Library Administration	450,476	3,966	0	0	(446,510)	0	(446,510)	0
Information Technology	318,064	0	0	0	(318,064)	0	(318,064)	0
Department of Tourism	11,612,316	1,296,477	0	0	(10,315,839)	0	(10,315,839)	0
Special Events	730,572	137,975	0	0	(592,597)	0	(592,597)	0
Community Development	285,841	0	0	0	(285,841)	0	(285,841)	0
Sanitation	1,808,389	1,126,230	0	0	(682,159)	0	(682,159)	0
Interest and Fees on Long-Term Debt	2,764,931	0	0	0	(2,764,931)	0	(2,764,931)	0
<b>Total Governmental Activities</b>	<b>41,687,691</b>	<b>4,378,875</b>	<b>858,196</b>	<b>191,876</b>	<b>(36,258,744)</b>	<b>0</b>	<b>(36,258,744)</b>	<b>0</b>
<b>Business-Type Activities</b>								
Water and Sewer	8,945,367	14,076,686	0	0	0	5,131,319	5,131,319	0
Event Center	5,038,641	657,737	0	0	0	(4,380,904)	(4,380,904)	0
<b>Total Business-Type Activities</b>	<b>13,984,008</b>	<b>14,734,423</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>750,415</b>	<b>750,415</b>	<b>0</b>
<b>Total Primary Government</b>	<b>\$ 55,671,699</b>	<b>\$ 19,113,298</b>	<b>\$ 858,196</b>	<b>\$ 191,876</b>	<b>(36,258,744)</b>	<b>750,415</b>	<b>(35,508,329)</b>	<b>0</b>
<b>Component Unit</b>								
Industrial Development Board	\$ 3,226,810	\$ 0	\$ 0	\$ 0	0	0	0	(3,226,810)
<b>General Revenues</b>								
Taxes								
Property					1,793,868	0	1,793,868	0
Sales					16,978,195	0	16,978,195	0
Premier Resort					3,468,598	0	3,468,598	0
Minimum Business					906,142	0	906,142	0
Restaurant					2,278,193	0	2,278,193	0
Wholesale Beer					759,187	0	759,187	0
Special Gross Receipts					10,696,082	0	10,696,082	0
Amusement					4,206,990	0	4,206,990	0
Room Occupancy					4,518,785	0	4,518,785	0
Other					193,531	0	193,531	0
Interest From Capital Lease					0	0	0	2,312,937
Licenses and Permits					42,540	0	42,540	0
Interest and Dividends					692,552	298,908	991,460	151
Rents and Royalties					107,449	0	107,449	0
Loss on Disposal of Capital Assets					(319,292)	0	(319,292)	0
Net Loss on Investment Portfolio					(336,901)	(49,870)	(386,771)	0
Change in Fair Value of Derivatives - Interest Rate Swap					0	(68,160)	(68,160)	0
Capital Contributions					(1,000,000)	0	(1,000,000)	1,000,000
Noncash Capital Contributions					(171,969)	54,566	(117,403)	117,403
Interfund Transfers, Net					(3,799,844)	3,799,844	0	0
<b>Total General Revenues and Other Items</b>					<b>41,014,106</b>	<b>4,035,288</b>	<b>45,049,394</b>	<b>3,430,491</b>
Change in Net Position					4,755,362	4,785,703	9,541,065	203,681
Net Position (Deficit), Beginning of Year					102,459,833	45,311,730	147,771,563	(2,018,023)
Net Position (Deficit), End of Year					\$ 107,215,195	\$ 50,097,433	\$ 157,312,628	\$ (1,814,342)

The accompanying notes are an integral part of these financial statements.

CITY OF PIGEON FORGE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>- ASSETS -</b>			
Cash and Cash Equivalents	\$ 16,514,991	\$ 381,467	\$ 16,896,458
Certificates of Deposit	19,339,442	0	19,339,442
Receivables, Net	7,012,886	0	7,012,886
Due from Other Funds	1,563,515	465,498	2,029,013
Due from Component Unit	234,141	0	234,141
Inventories	371,420	0	371,420
Restricted Assets			
Cash	1,798,477	1,612,650	3,411,127
Investments	5,102,756	0	5,102,756
Receivables	0	45,208	45,208
<b>TOTAL ASSETS</b>	<b>\$ 51,937,628</b>	<b>\$ 2,504,823</b>	<b>\$ 54,442,451</b>
<b>- LIABILITIES -</b>			
Accounts Payable and Accrued Expenses	\$ 4,212,575	\$ 110,320	\$ 4,322,895
Due to Other Funds	371,572	0	371,572
Due to Other Governments	73,358	0	73,358
Taxes Payable	7,800	0	7,800
<b>Total Liabilities</b>	<b>4,665,305</b>	<b>110,320</b>	<b>4,775,625</b>
<b>- DEFERRED INFLOWS OF RESOURCES -</b>	<b>1,254,420</b>	<b>0</b>	<b>1,254,420</b>
<b>- FUND BALANCES -</b>			
Non-Spendable			
General Fund			
Inventory On Hand	371,420	0	371,420
Restricted			
General Fund	5,392,979	0	5,392,979
Special Revenue Funds			
State Street Aid Fund	0	482,875	482,875
Solid Waste Fund	0	785,186	785,186
Drug Fund	0	376,613	376,613
TDZ Fund	0	368,362	368,362
Unrestricted			
Committed	70,846	0	70,846
Assigned	2,175,927	381,467	2,557,394
Unassigned	38,006,731	0	38,006,731
<b>Total Fund Balances</b>	<b>46,017,903</b>	<b>2,394,503</b>	<b>48,412,406</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$ 51,937,628</b>	<b>\$ 2,504,823</b>	<b>\$ 54,442,451</b>

The accompanying notes are an integral part of these financial statements.

CITY OF PIGEON FORGE, TENNESSEE

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION

June 30, 2015

Ending Total Fund Balances - Governmental Funds - Balance Sheet (page 17)	\$ 48,412,406
Amounts reported for governmental activities in the statement of net positions are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	137,668,276
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,681,065
Deferred capital contributions are not available to pay for current-period expenditures and, therefore, are not recognized in the funds.	2,000,000
Capital contributions payable are not due and payable in the current period and therefore are not reported in the funds.	(2,000,000)
Accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(721,706)
Long-term debt, net of unamortized bond issue costs, unamortized premiums and unamortized deferred refunding losses, and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(81,824,846)</u>
Net Position of Governmental Activities - Statement of Net Position (page 15)	\$ <u><u>107,215,195</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF PIGEON FORGE, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Taxes			
Property Tax	\$ 1,271,754	\$ 0	\$ 1,271,754
Payments in Lieu of Tax	522,114	0	522,114
Local Sales Tax	12,884,885	0	12,884,885
Wholesale Beer Tax	759,187	0	759,187
Minimum Business Tax	906,142	0	906,142
Amusement Tax	4,206,990	0	4,206,990
Gross Receipts Tax	10,696,082	0	10,696,082
Restaurant Tax	2,278,193	0	2,278,193
Cable Television Franchise Tax	133,621	0	133,621
Room Occupancy Tax	4,518,785	0	4,518,785
Other Taxes	10,961	0	10,961
<b>Total Taxes</b>	<b>38,188,714</b>	<b>0</b>	<b>38,188,714</b>
Intergovernmental			
Grants	803,007	0	803,007
Sales Tax	0	3,665,056	3,665,056
State Premier Resort Tax	3,468,598	0	3,468,598
State Gasoline and Motor Fuel Tax	0	247,065	247,065
Other	46,817	0	46,817
<b>Total Intergovernmental</b>	<b>4,318,422</b>	<b>3,912,121</b>	<b>8,230,543</b>
Licenses and Permits	251,166	0	251,166
Fees and Charges for Services	2,742,111	1,117,090	3,859,201
Fines and Penalties	257,998	52,801	310,799
Interest and Dividends	385,307	1,556	386,863
Net Loss on Investment Portfolio	(336,901)	0	(336,901)
Rents and Royalties	107,449	0	107,449
Other Revenues	556,036	0	556,036
<b>Total Revenues</b>	<b>46,470,302</b>	<b>5,083,568</b>	<b>51,553,870</b>
<b>EXPENDITURES:</b>			
Current			
Administration, Finance and Other General Government			
City Court	21,269	0	21,269
City Hall Building Operations	102,676	0	102,676
Financial Administration	988,410	0	988,410
Legislative	478,404	0	478,404
Other General Government	20,231,069	0	20,231,069
City Maintenance	824,550	0	824,550
City Garage	672,706	0	672,706
Department of Tourism	11,537,914	0	11,537,914
Drug Prevention	0	12,908	12,908
Fire Protection and Control	2,998,818	0	2,998,818
Highways and Streets	2,645,548	125,007	2,770,555
Information Technology	381,063	0	381,063
Library Administration	416,586	0	416,586
Park Administration	1,131,118	0	1,131,118
Police	5,904,452	0	5,904,452
Protective Inspection	485,818	0	485,818
Public Transportation Systems	2,671,944	0	2,671,944
Recreation Administration/Community Center	1,617,583	0	1,617,583
Solid Waste/Sanitation	0	1,640,835	1,640,835
Special Events	690,817	0	690,817
Community Development	284,088	0	284,088
Debt Service			
Principal Retirement	2,375,000	225,000	2,600,000
Interest	830,777	1,785,879	2,616,656
Fees	578,717	16,313	595,030
<b>Total Expenditures</b>	<b>57,869,327</b>	<b>3,805,942</b>	<b>61,675,269</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(11,399,025)</b>	<b>1,277,626</b>	<b>(10,121,399)</b>

The accompanying notes are an integral part of these financial statements.



**CITY OF PIGEON FORGE, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (Continued)**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>OTHER FINANCING SOURCES (USES):</b>			
Other Financing Sources			
Debt Issuance on Bonds	19,640,000	0	19,640,000
Premium on Debt Issuance	307,762	0	307,762
Transfers from Other Funds	0	837,492	837,492
Other Financing Uses			
Transfers to Other Funds	(2,008,620)	(2,628,716)	(4,637,336)
<b>Total Other Financing Sources (Uses)</b>	<u>17,939,142</u>	<u>(1,791,224)</u>	<u>16,147,918</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	6,540,117	(513,598)	6,026,519
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>39,477,786</u>	<u>2,908,101</u>	<u>42,385,887</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 46,017,903</u>	<u>\$ 2,394,503</u>	<u>\$ 48,412,406</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PIGEON FORGE, TENNESSEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds - statement of revenues, expenditures, and changes in fund balances (page 20)	\$ 6,026,519
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation (\$3,198,667) was exceeded by capital outlays (\$19,091,567) in the current period.	15,892,900
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In the statement of activities, only the net gain/loss from the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the capital assets which were sold.	(550,191)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	430,385
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The issuance of long-term debt (e.g. bonds, loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. Also, governmental funds report the effect of, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.	(16,914,377)
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Some expenses reported in the statement of activities do not require the use of  
current financial resources and, therefore, are not reported as expenditures in  
governmental funds.

Change in Accrued Interest Expense	(13,368)
Change in Compensated Absences Payable	<u>(116,506)</u>

Change in net position of governmental activities - statement of activities (page 16)	\$ <u><u>4,755,362</u></u>
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**CITY OF PIGEON FORGE, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF GENERAL FUND BUDGETARY COMPARISON**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
<b>Local Taxes:</b>				
Current Year Property Taxes	\$ 1,244,596	\$ 1,244,596	\$ 1,244,576	\$ (20)
Payments in Lieu of Tax	498,093	498,093	522,114	24,021
Prior Years Property Taxes	0	0	783	783
Penalties Property Taxes	20,000	20,000	26,395	6,395
Amusement Tax	4,058,629	4,058,629	4,206,990	148,361
Cable Television Franchise Tax	95,000	95,000	133,621	38,621
Room Occupancy Tax	4,033,822	4,033,822	4,518,785	484,963
Local Sales Tax	12,282,845	12,282,845	12,884,885	602,040
Wholesale Beer Tax	645,000	645,000	759,187	114,187
Minimum Business Tax	700,000	700,000	906,142	206,142
Restaurant Tax	1,875,000	1,875,000	2,278,193	403,193
Gross Receipts Tax	10,177,060	10,177,060	10,696,082	519,022
Other Taxes	9,000	9,000	10,961	1,961
<b>Total Taxes</b>	<b>35,639,045</b>	<b>35,639,045</b>	<b>38,188,714</b>	<b>2,549,669</b>
<b>Licenses and Permits:</b>				
Beer Licenses	6,500	6,500	9,250	2,750
Building and Related Permits	180,000	180,000	208,626	28,626
Liquor Licenses	22,000	22,000	33,290	11,290
<b>Total Licenses and Permits</b>	<b>208,500</b>	<b>208,500</b>	<b>251,166</b>	<b>42,666</b>
<b>Intergovernmental:</b>				
Grants	1,950,875	1,950,875	803,007	(1,147,868)
State Premier Resort Tax	3,469,347	3,469,347	3,468,598	(749)
Franchise and Income Tax	0	0	32,016	32,016
Tax Sharing for Streets	12,000	12,000	11,991	(9)
State Beer and Alcohol Tax	3,000	3,000	2,810	(190)
<b>Total Intergovernmental</b>	<b>5,435,222</b>	<b>5,435,222</b>	<b>4,318,422</b>	<b>(1,116,800)</b>
<b>Fees and Charges for Services:</b>				
Trolley Income	678,996	678,996	489,087	(189,909)
Street Maintenance Contracts	89,481	89,481	89,512	31
Parks & Recreation Charges	738,070	738,070	655,268	(82,802)
Special Events Revenues	105,000	105,000	137,975	32,975
Fire Protection	47,750	47,750	48,750	1,000
Online Advertising Sales	400,000	400,000	445,955	45,955
Police Protection	30,000	30,000	0	(30,000)
Tourism Income	456,000	456,000	828,053	372,053
Miscellaneous Income	38,000	38,000	47,511	9,511
<b>Total Fees and Charges for Services</b>	<b>2,583,297</b>	<b>2,583,297</b>	<b>2,742,111</b>	<b>158,814</b>
<b>Fines and Penalties</b>	<b>237,500</b>	<b>237,500</b>	<b>257,998</b>	<b>20,498</b>
<b>Interest and Dividends</b>	<b>70,000</b>	<b>70,000</b>	<b>385,307</b>	<b>315,307</b>
<b>Net Loss on Investment Portfolio</b>	<b>0</b>	<b>0</b>	<b>(336,901)</b>	<b>(336,901)</b>
<b>Rents and Royalties</b>	<b>118,046</b>	<b>118,046</b>	<b>107,449</b>	<b>(10,597)</b>
<b>Other Revenues</b>	<b>73,800</b>	<b>73,800</b>	<b>556,036</b>	<b>482,236</b>
<b>Total Revenues</b>	<b>44,365,410</b>	<b>44,365,410</b>	<b>46,470,302</b>	<b>2,104,892</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF PIGEON FORGE, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF GENERAL FUND BUDGETARY COMPARISON (Continued)**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
EXPENDITURES:				
Administration, Finance, and Other General Government:				
City Court:				
Personnel Costs	\$ 21,879	\$ 21,879	\$ 21,269	\$ 610
City Hall Building Operations				
Capital Outlay	10,000	17,800	17,795	5
General Services	73,032	89,132	84,881	4,251
Total City Hall Building Operations	83,032	106,932	102,676	4,256
Financial Administration:				
Personnel Costs	889,669	889,669	834,534	55,135
Supplies	44,200	44,200	19,742	24,458
Maintenance	23,501	23,501	18,999	4,502
Capital Outlay	10,000	10,000	0	10,000
General Services	138,439	138,439	115,135	23,304
Total Financial Administration	1,105,809	1,105,809	988,410	117,399
Legislative:				
Personnel Costs	91,995	91,995	92,393	(398)
General Services	423,443	423,443	386,011	37,432
Total Legislative	515,438	515,438	478,404	37,034
Other General Government:				
Personnel Costs	154,020	209,020	163,652	45,368
Supplies	6,500	6,500	179	6,321
General Services	1,358,450	2,748,450	2,511,003	237,447
Capital Outlay	25,552	17,776,052	17,556,235	219,817
Total Other General Government	1,544,522	20,740,022	20,231,069	508,953
City Maintenance:				
Personnel Costs	480,470	480,470	466,418	14,052
Supplies	81,084	86,084	69,140	16,944
General Services	24,368	28,368	22,690	5,678
Maintenance	175,570	170,570	112,043	58,527
Capital Outlay	17,900	156,900	154,259	2,641
Total City Maintenance	779,392	922,392	824,550	97,842
Total Administration, Finance, and Other General Government				
	4,050,072	23,412,472	22,646,378	766,094
City Garage:				
Personnel Costs	541,890	541,890	549,108	(7,218)
Supplies	64,795	64,795	52,857	11,938
Maintenance	7,500	7,500	4,356	3,144
General Services	62,194	62,194	49,128	13,066
Capital Outlay	89,260	89,260	17,257	72,003
Total City Garage	765,639	765,639	672,706	92,933

The accompanying notes are an integral part of these financial statements.

**CITY OF PIGEON FORGE, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF GENERAL FUND BUDGETARY COMPARISON (Continued)**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>EXPENDITURES (Continued):</b>				
<b>Department of Tourism:</b>				
Personnel Costs	956,622	956,622	905,201	51,421
Supplies	31,100	32,375	27,437	4,938
Maintenance	12,500	12,500	6,061	6,439
General Services	1,111,685	1,110,410	989,156	121,254
Capital Outlay	29,000	29,000	0	29,000
Advertising	9,584,600	9,584,600	9,610,059	(25,459)
<b>Total Department of Tourism</b>	<b>11,725,507</b>	<b>11,725,507</b>	<b>11,537,914</b>	<b>187,593</b>
<b>Fire Protection and Control:</b>				
Personnel Costs	2,538,502	2,538,202	2,485,218	52,984
Supplies	294,023	297,173	264,948	32,225
Maintenance	53,942	103,942	86,133	17,809
General Services	152,331	149,481	129,300	20,181
Capital Outlay	67,480	67,480	33,219	34,261
<b>Total Fire Protection and Control</b>	<b>3,106,278</b>	<b>3,156,278</b>	<b>2,998,818</b>	<b>157,460</b>
<b>Highway and Streets:</b>				
Personnel Costs	1,368,312	1,368,312	1,381,333	(13,021)
Supplies	181,648	181,648	133,051	48,597
Maintenance	84,764	135,364	106,490	28,874
General Services	222,181	222,181	168,932	53,249
Capital Outlay	649,940	885,440	855,742	29,698
<b>Total Highway and Streets</b>	<b>2,506,845</b>	<b>2,792,945</b>	<b>2,645,548</b>	<b>147,397</b>
<b>Information Technology</b>				
Personnel Costs	145,358	145,358	137,705	7,653
Supplies	1,300	1,300	3,598	(2,298)
Maintenance	250	250	60	190
General Services	295,205	295,205	211,706	83,499
Capital Outlay	48,050	48,050	27,994	20,056
<b>Total Information Technology</b>	<b>490,163</b>	<b>490,163</b>	<b>381,063</b>	<b>109,100</b>
<b>Library Administration</b>				
Personnel Costs	321,732	321,732	298,902	22,830
Supplies	52,600	59,500	46,993	12,507
Maintenance	8,400	8,400	5,116	3,284
General Services	152,280	145,380	65,575	79,805
<b>Total Library Administration</b>	<b>535,012</b>	<b>535,012</b>	<b>416,586</b>	<b>118,426</b>
<b>Park Administration</b>				
Personnel Costs	815,844	815,844	785,371	30,473
Supplies	169,680	174,180	127,545	46,635
Maintenance	70,530	72,530	61,624	10,906
General Services	118,145	118,145	100,721	17,424
Capital Outlay	987,050	980,550	55,857	924,693
<b>Total Park Administration</b>	<b>2,161,249</b>	<b>2,161,249</b>	<b>1,131,118</b>	<b>1,030,131</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF PIGEON FORGE, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF GENERAL FUND BUDGETARY COMPARISON (Continued)**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>EXPENDITURES (Continued):</b>				
<b>Police</b>				
Personnel Costs	4,955,939	4,955,939	4,726,980	228,959
Supplies	613,730	615,230	525,830	89,400
Maintenance	151,980	151,980	117,500	34,480
General Services	152,867	152,867	81,126	71,741
Capital Outlay	334,000	748,000	453,016	294,984
<b>Total Police</b>	<b>6,208,516</b>	<b>6,624,016</b>	<b>5,904,452</b>	<b>719,564</b>
<b>Protective Inspection:</b>				
Personnel Costs	448,845	448,845	447,643	1,202
Supplies	32,295	32,295	25,805	6,490
Maintenance	7,290	7,290	2,655	4,635
General Services	12,000	12,000	9,715	2,285
<b>Total Protective Inspection</b>	<b>500,430</b>	<b>500,430</b>	<b>485,818</b>	<b>14,612</b>
<b>Public Transportation Systems:</b>				
Personnel Costs	1,658,088	1,658,088	1,726,614	(68,526)
Supplies	542,999	542,999	394,828	148,171
Maintenance	125,200	125,200	102,089	23,111
General Services	95,655	95,655	72,025	23,630
Capital Outlay	868,860	868,860	376,388	492,472
<b>Total Public Transportation Systems</b>	<b>3,290,802</b>	<b>3,290,802</b>	<b>2,671,944</b>	<b>618,858</b>
<b>Recreation Administration/Community Center:</b>				
Personnel Costs	1,073,502	1,073,502	1,041,594	31,908
Supplies	117,513	117,513	105,326	12,187
Maintenance	18,828	18,828	14,520	4,308
General Services	409,255	434,755	456,143	(21,388)
<b>Administration/Community Center</b>	<b>1,619,098</b>	<b>1,644,598</b>	<b>1,617,583</b>	<b>27,015</b>
<b>Special Events:</b>				
Personnel Costs	185,616	185,116	178,783	6,333
Supplies	8,100	7,780	3,645	4,135
Maintenance	5,800	5,800	2,572	3,228
General Services	456,100	500,920	505,817	(4,897)
<b>Total Special Events</b>	<b>655,616</b>	<b>699,616</b>	<b>690,817</b>	<b>8,799</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF PIGEON FORGE, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF GENERAL FUND BUDGETARY COMPARISON (Continued)**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>EXPENDITURES (Continued):</b>				
<b>Community Development:</b>				
Personnel Costs	274,116	274,116	252,425	21,691
Supplies	28,500	28,500	14,524	13,976
Maintenance	1,500	1,500	70	1,430
General Services	36,910	36,910	17,069	19,841
<b>Total Community Development</b>	<u>341,026</u>	<u>341,026</u>	<u>284,088</u>	<u>56,938</u>
<b>Debt Service:</b>				
Debt Service - Principal	2,375,000	2,375,000	2,375,000	0
Debt Service - Interest	1,426,025	1,426,025	830,777	595,248
Debt Service - Fees	0	0	578,717	(578,717)
<b>Total Debt Service</b>	<u>3,801,025</u>	<u>3,801,025</u>	<u>3,784,494</u>	<u>16,531</u>
<b>Total Expenditures</b>	<u>41,757,278</u>	<u>61,940,778</u>	<u>57,869,327</u>	<u>4,071,451</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>2,608,132</u>	<u>(17,575,368)</u>	<u>(11,399,025)</u>	<u>6,176,343</u>
<b>Other Financing Sources (Uses):</b>				
Other Financing Sources:				
Debt Issuance on Bonds	0	0	19,640,000	19,640,000
Premium on Debt Issuance	0	0	307,762	307,762
Other Financing Uses:				
Transfers to Other Funds	(2,606,132)	(2,606,132)	(2,008,620)	597,512
<b>Total Other Financing Sources (Uses)</b>	<u>(2,606,132)</u>	<u>(2,606,132)</u>	<u>17,939,142</u>	<u>20,545,274</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>2,000</u>	<u>(20,181,500)</u>	<u>6,540,117</u>	<u>26,721,617</u>
<b>Fund Balance at Beginning of Year</b>	<u>39,477,786</u>	<u>39,477,786</u>	<u>39,477,786</u>	<u>0</u>
<b>Fund Balance at End of Year</b>	<u>\$ 39,479,786</u>	<u>\$ 19,296,286</u>	<u>\$ 46,017,903</u>	<u>\$ 26,721,617</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PIGEON FORGE, TENNESSEE

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2015

	Water and Sewer Fund	LeConte Center Fund	Total Proprietary Funds
<b>- ASSETS -</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 13,553,806	\$ 962,082	\$ 14,515,888
Certificates of Deposit	4,665,102	0	4,665,102
Receivables, Net	1,402,634	0	1,402,634
Inventories	288,166	0	288,166
<b>Total Current Assets</b>	<b>19,909,708</b>	<b>962,082</b>	<b>20,871,790</b>
<b>NONCURRENT ASSETS</b>			
Restricted Cash and Cash Equivalents	1,338,482	0	1,338,482
Restricted Investments	968,557	0	968,557
Investment in Joint Venture	6,000,522	0	6,000,522
Capital Assets			
Nondepreciable	47,541,369	3,185,168	50,726,537
Depreciable, Net of Accumulated Depreciation	39,526,228	50,319,271	89,845,499
Total Capital Assets, Net of Accumulated Depreciation	<u>87,067,597</u>	<u>53,504,439</u>	<u>140,572,036</u>
<b>Total Noncurrent Assets</b>	<b>95,375,158</b>	<b>53,504,439</b>	<b>148,879,597</b>
<b>- DEFERRED OUTFLOWS OF RESOURCES -</b>	<b>83,326</b>	<b>0</b>	<b>83,326</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ <u>115,368,192</u></b>	<b>\$ <u>54,466,521</u></b>	<b>\$ <u>169,834,713</u></b>
<b>- LIABILITIES -</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable and Accrued Expenses	\$ 1,479,666	\$ 294,506	\$ 1,774,172
Due to Other Funds, Net	93,979	1,563,462	1,657,441
Accrued Interest	225,945	192,023	417,968
Taxes Payable	67,409	0	67,409
Compensated Absences	51,282	10,475	61,757
Long-Term Debt - Current Portion	768,941	330,000	1,098,941
<b>Total Current Liabilities</b>	<b>2,687,222</b>	<b>2,390,466</b>	<b>5,077,688</b>
<b>NONCURRENT LIABILITIES</b>			
Long-Term Debt	63,558,100	48,500,000	112,058,100
<b>Total Liabilities</b>	<b>66,245,322</b>	<b>50,890,466</b>	<b>117,135,788</b>
<b>- DEFERRED INFLOWS OF RESOURCES -</b>			
Derivative Instrument - Interest Rate Swap	2,601,492	0	2,601,492
<b>- NET POSITION -</b>			
Net Investment in Capital Assets	22,529,429	4,674,440	27,203,869
Unrestricted (Deficit)	23,991,949	(1,098,385)	22,893,564
<b>Total Net Position</b>	<b>46,521,378</b>	<b>3,576,055</b>	<b>50,097,433</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<b>\$ <u>115,368,192</u></b>	<b>\$ <u>54,466,521</u></b>	<b>\$ <u>169,834,713</u></b>

The accompanying notes are an integral part of these financial statements.



**CITY OF PIGEON FORGE, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

	Water and Sewer Fund	LeConte Center Fund	Total Proprietary Funds
<b>OPERATING REVENUES:</b>			
Fees and Charges for Services	\$ 13,638,222	\$ 657,737	\$ 14,295,959
Fines and Penalties	103,453	0	103,453
Other Revenues	91,487	0	91,487
Tap Fees	243,524	0	243,524
<b>Total Operating Revenues</b>	<b>14,076,686</b>	<b>657,737</b>	<b>14,734,423</b>
<b>OPERATING EXPENSES:</b>			
Purification	1,433,650	0	1,433,650
Transmission and Distribution	862,137	0	862,137
Sewer System	367,845	0	367,845
Sewer Treatment and Disposal	2,556,143	0	2,556,143
Customer Accounting and Collections	154,209	0	154,209
Administrative and General	787,035	0	787,035
Personnel Costs	0	447,006	447,006
Supplies	0	73,738	73,738
Maintenance	0	38,436	38,436
General Services	0	770,000	770,000
Depreciation	1,411,865	1,396,533	2,808,398
<b>Total Operating Expenses</b>	<b>7,572,884</b>	<b>2,725,713</b>	<b>10,298,597</b>
<b>OPERATING INCOME (LOSS)</b>	<b>6,503,802</b>	<b>(2,067,976)</b>	<b>4,435,826</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest and Dividends	298,908	0	298,908
Debt Service Fees	(87,693)	0	(87,693)
Interest Expense	(1,284,790)	0	(1,284,790)
Interest on Capital Lease	0	(2,312,928)	(2,312,928)
Net Loss on Investment Portfolio	(49,870)	0	(49,870)
Change in Fair Value of Derivatives - Interest Rate Swap	(68,160)	0	(68,160)
<b>Total Nonoperating Expenses</b>	<b>(1,191,605)</b>	<b>(2,312,928)</b>	<b>(3,504,533)</b>
<b>CHANGE IN NET POSITION BEFORE TRANSFERS AND CAPITAL CONTRIBUTION</b>	<b>5,312,197</b>	<b>(4,380,904)</b>	<b>931,293</b>
<b>TRANSFERS FROM OTHER FUNDS</b>	<b>0</b>	<b>3,799,844</b>	<b>3,799,844</b>
<b>CAPITAL CONTRIBUTION - FROM INDUSTRIAL DEVELOPMENT BOARD</b>	<b>0</b>	<b>54,566</b>	<b>54,566</b>
<b>CHANGE IN NET POSITION</b>	<b>5,312,197</b>	<b>(526,494)</b>	<b>4,785,703</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>41,209,181</b>	<b>4,102,549</b>	<b>45,311,730</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 46,521,378</b>	<b>\$ 3,576,055</b>	<b>\$ 50,097,433</b>

The accompanying notes are an integral part of these financial statements.

CITY OF PIGEON FORGE, TENNESSEE

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2015

	Water and Sewer Fund	LeConte Center Fund	Total Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 14,105,150	\$ 657,738	\$ 14,762,888
Cash Paid to or on Behalf of Employees	(1,321,749)	(436,531)	(1,758,280)
Cash Paid to Suppliers	(9,151,166)	(844,221)	(9,995,387)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>3,632,235</b>	<b>(623,014)</b>	<b>3,009,221</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and Construction of Capital Assets	(16,995,093)	0	(16,995,093)
Transfers Received for Capital Purposes	0	2,628,716	2,628,716
Principal Paid on Debt Maturities	(744,799)	(315,000)	(1,059,799)
Interest Expense	(2,828,430)	(2,313,716)	(5,142,146)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>(20,568,322)</b>	<b>0</b>	<b>(20,568,322)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from Other Funds	0	1,171,128	1,171,128
<b>Net Cash Provided by (Used in) Noncapital and Related Financing Activities</b>	<b>0</b>	<b>1,171,128</b>	<b>1,171,128</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Net Increase of Certificates of Deposit	(847,589)	0	(847,589)
Purchases of Restricted Investments	(169,885)	0	(169,885)
Cash Receipts on Sales of Restricted Investments	18,622,800	0	18,622,800
Interest and Dividends	298,908	0	298,908
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>17,904,234</b>	<b>0</b>	<b>17,904,234</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>968,147</b>	<b>548,114</b>	<b>1,516,261</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>13,924,141</b>	<b>413,968</b>	<b>14,338,109</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 14,892,288</b>	<b>\$ 962,082</b>	<b>\$ 15,854,370</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities:</b>			
Operating Income (Loss)	\$ 6,503,802	\$ (2,067,976)	\$ 4,435,826
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	1,411,865	1,396,533	2,808,398
(Increase) Decrease in Assets:			
Accounts Receivable	28,464	0	28,464
Due From Other Funds	(271,835)	0	(271,835)
Inventories	32,634	0	32,634
Increase (Decrease) in Liabilities:			
Accounts Payable and Accrued Expenses	(3,978,262)	99,803	(3,878,459)
Taxes Payable	11,347	0	11,347
Accrued Expenses			
Due to Other Funds	0	(61,849)	(61,849)
Due to Other Governments	(112,984)	0	(112,984)
Compensated Absences	7,204	10,475	17,679
Total Adjustments	(2,871,567)	1,444,962	(1,426,605)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 3,632,235</b>	<b>\$ (623,014)</b>	<b>\$ 3,009,221</b>
<b>Supplemental Disclosure of Noncash Investing and Financing Activities:</b>			
Change in Fair Value of Derivatives - Interest Rate Swap	\$ (68,160)	\$ 0	\$ (68,160)
Amortization of Deferred Amount of Refunding	\$ 2,812	\$ 0	\$ 2,812
Amortization of Bond Premium	\$ (9,020)	\$ 0	\$ (9,020)
Change in Fair Value of Restricted Investments	\$ (49,870)	\$ 0	\$ (49,870)
Noncash Capital Contribution - From Industrial Development Board	\$ 0	\$ 54,566	\$ 54,566
Capitalized Interest	\$ 1,462,155	\$ 0	\$ 1,462,155

The accompanying notes are an integral part of these financial statements.

**CITY OF PIGEON FORGE, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 1 - GENERAL INFORMATION**

**Reporting Entity** - The City of Pigeon Forge, Tennessee (the City) is a primary government entity governed by an elected five-member board of commissioners from whom the mayor is chosen. The reporting entity also includes the City's component unit.

**Discretely Presented Component Unit** - The Industrial Development Board of the City of Pigeon Forge (the "Board") is a non-profit corporation formed pursuant to the specific authority granted at Tennessee Code Annotated Section 7-53-101 et seq. The Board was formed in 1980 but was inactive for many years. With the State's approval, the Board was reinstated in 2011. The board members of the Board are appointed by City Council. There are no members of City Council who also serve as board members of the Board. The Board performs public functions on behalf of the City and its purpose is to undertake the financing and development of projects deemed by the Act to promote industry, trade, commerce, tourism and recreation and housing construction. The Board participates in economic development activities by serving as a conduit for financing commerce and tourism projects. The Board accounts for its operations as an enterprise fund. The Board is reported in a single column in the combined financial statements to emphasize that it is legally separate from the City. Complete financial statements for the Board may be obtained from their administrative office at 3221 Rena Street, Pigeon Forge, Tennessee 37863.

**Accounting Pronouncements** - The accounting and reporting policies of the City relating to the accounts included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*. All applicable GASB Statements have been implemented. As required by GASB Statement No. 34, the City classifies its net assets into three components – net investment in capital assets, restricted; and unrestricted. These classifications are defined as follows:

*Net Investment in Capital Assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

*Restricted Net Position* - This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position* - Unrestricted net position consist of net position that does not meet the definition of "restricted" or "net investment in capital assets." These are available for current use by the City.

**Government-Wide Statements** - The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The legally separate component unit, for which the primary government is financially accountable, is reported in the government-wide financial statements in a separate column as a discretely presented component unit.

## NOTE 1 - GENERAL INFORMATION (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements** - The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The various fund categories and fund types presented in the financial statements are described below.

**Description of Funds** - In accordance with the City's charter and ordinances, several different types of funds are used to record the City's financial transactions. For financial reporting, they have been grouped and are presented in this report as follows:

### **Governmental Fund Types**

*General Fund* - To account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* - To account for the proceeds of specific revenue sources that are restricted by law to expenditures for specific purposes.

*Capital Projects Funds* - To account for the financial resources to be used for the construction or renovation of major capital facilities.

### **Proprietary Fund Type - Enterprise Funds**

*Water and Sewer System and LeConte Center* - To account for operations (a) that are financed and operated in a manner similar to private business enterprise - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

### **Discretely Presented Component Unit**

*Industrial Development Board* - The Board is included in the government-wide financial statements and is accounted for on the same basis as the City's proprietary funds.

## NOTE 1 - GENERAL INFORMATION (Continued)

**Fund Balance Classifications** - The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition* ("GASB 54") effective for the fiscal year ended June 30, 2011. GASB 54 established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, GASB 54 clarified the definitions of the General Fund and the special revenue, capital projects, and debt service fund types. These classifications are defined as follows:

*Nonspendable Fund Balance* - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. These amounts include inventories and prepaid items.

*Restricted Fund Balance* - includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed Fund Balance* - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council, the City's highest level of decision-making authority. The distinction between restricted and committed fund balances is the source and strength of the constraints placed on them.

*Assigned Fund Balance* - includes amounts that the City intends to use for a specific purpose, but for which the use is not legislatively mandated. City Council is the authorized body to make assignments.

*Unassigned Fund Balance* - the residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation** - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

### *Government-Wide*

The government-wide financial statements are reported using the economic resource measurement focus and accrual basis of accounting, as are the proprietary fund financial statements and the discretely presented component unit. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Governmental Funds*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized only as they become susceptible to accrual (measurable and available):

- A. Revenue considered susceptible to accrual includes: property taxes, shared revenues, licenses, interest revenue and charges for services (collected within sixty days after year-end).
- B. Interest and principal on general long-term debt indebtedness are not accrued but are recorded as an expenditure on their due date.
- C. Compensated absences are not accrued but are recorded as expenditures.
- D. Disbursements for purchase of capital assets providing future benefits are considered expenditures; loan and bond proceeds are reported as other financing sources.
- E. Other tax and nonexchange revenue receivable includes local and state taxes, local beer tax, state income tax, special gross receipts tax, amusement tax, room occupancy tax, cable TV franchise tax, and state gasoline and motor fuel taxes. Certain nonexchange transactions related to minimum business tax, city and court fines and costs, and drug related fines are not recognized because they are not measurable. Certain other nonexchange transaction revenue was not recognized due to immateriality or not being susceptible to accrual.

### *Proprietary Funds*

The City's proprietary funds (see Note 1) use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of the water and sewer system's tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### *Major Funds*

Major Governmental Fund: The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Proprietary Funds: The water and sewer fund is the operating fund for the City's water and wastewater systems. The LeConte Center fund is the operating fund for the City's LeConte Center.

### *Discretely Presented Component Unit*

The City's discretely presented component unit (Industrial Development Board) uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the fund will be lease payments received from the City for the use of the LeConte Center (see Note 14). Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Restrictions** - When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. It is also the City's policy that committed amounts would be reduced first, followed by assigned amounts, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

**Cash Equivalents** - Cash equivalents consist of certificates of deposit, money market investment accounts and other temporary investments maturing within 90 days of original purchase, except for cash and cash equivalents held in investment accounts to be used to purchase investments.

**Restricted Cash, Cash Equivalents and Investments** - Cash, cash equivalents and investments in certain funds are classified as restricted because the restriction is either imposed by enabling legislation or the source of funds restricts their use to specific purposes.

**Internal Activity** - As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Allowance for Doubtful Accounts** - The allowance is determined using historical information and current evaluations of accounts receivable.

**Investments** - Investments are carried at fair value as determined by quoted market prices as of June 30, 2015, and any unrealized gain/loss is recorded in change in fair value of investments.

**Inventories** - Inventories are valued at the lower of cost (first-in, first-out) or market and determined by physical count. Inventories consist of parts and supplies held for consumption. The costs thereof are recorded as an expenditure when consumed rather than when purchased. Reported inventories in the general fund are equally offset by an equal fund balance amount shown as non-spendable.

**Interest Costs** - The City capitalizes interest at the government wide level and proprietary fund types as a component of the cost of property, plant and equipment constructed for its own use, where appropriate.

### Capital Assets

Governmental Funds: Capital outlays are recorded as expenditures on the governmental fund financial statements and as assets on the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively.

Proprietary Fund Types: Capital outlays of the proprietary funds are recorded as capital assets on both the fund basis and the government-wide basis.

All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available based on independent consultant studies. Donated assets are valued at their fair market value on the date donated.

Capital assets are stated at cost or estimated original cost, net of accumulated depreciation. Depreciation on capital assets has been recorded over the estimated useful lives using the straight-line method. The City's capitalization threshold is \$5,000. Repairs and maintenance are charged to expense when incurred. When capital assets are sold or retired, the cost of the assets and the related accumulated depreciation are eliminated and a gain or loss is recognized.

Depreciation rates are as follows:

Buildings and Improvements	15-50 years
Equipment	5-20 years
Automobiles	5-35 years
Infrastructure	10-70 years

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Deferred Outflows of Resources** - Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. This consists of deferred charges on debt refundings resulting from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred capital contributions represent contributions payable to the Board in subsequent periods.

**Long-Term Obligations** - The City reports long-term debt and other long-term obligations as liabilities in the government-wide and proprietary fund financial statements. Bond premiums and discounts, the difference between the carrying amount of defeased debt and its reacquisition price are deferred and amortized over the life of the bond. Bond premiums and discounts are amortized proportionately to the amount of principal paid in a given year on the debt. The difference between the carrying amount of defeased debt and its reacquisition price is amortized over the shorter of the life of the refunded debt or the life of the refunding debt. Loan and bonds payable are reported net of the applicable premium or discount and any difference between the carrying amount of the defeased debt and its reacquisition price.

In governmental fund financial statements debt proceeds and payments, premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

The Public Building Authority, on behalf of the City has entered into an interest rate swap agreement to modify interest rates on certain outstanding debt.

**Compensated Absences** - Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Employees, upon termination of employment, are paid for accrued vacation leave. A liability for accumulated vacation that is attributable to service already rendered and that is not contingent on a specific event that is outside the control of the City and its employees is accrued as employees earn the rights to the benefits. Accumulated vacation amounts that relate to future services or that are contingent on a specific event that is outside the control of the City and its employees are accounted for in the period in which such services are rendered or such events take place. Compensated absences for vacation is accrued when incurred in government-wide and proprietary fund and reported as a fund liability. The governmental fund financial statements record an expenditure when vacation is taken and no liability is recorded.

Employees are not paid for unused sick days upon termination of employment; accordingly, sick pay is charged to expenditures when taken, and no provision has been made in the financial statements for unused sick leave.

**Budgetary Principles** - All funds except the capital projects funds of the City operate under annual appropriations budgets. The appropriation ordinance is passed on a departmental level for the general and proprietary funds and on a fund level for the special revenue funds. The budget documents are prepared in accordance with the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America for all funds, except for the proprietary fund.

The City's policy is to include debt service fees in the interest budget line.

The City is not required to present a budget for the proprietary funds, but has chosen to do so, on the accrual basis of accounting. The City's policy is to budget a nominal amount in the proprietary fund for depreciation and none for amortization.

Capital projects funds are normally budgeted over the life of the project and not on an annual basis.

The budgets are properly amended by ordinances of the board of commissioners and the budget amounts shown in the financial statements are the original budget and final budget as revised during the year. All annual appropriations lapse at fiscal year-end.

**Property Taxes** - Property taxes are levied as of January 1 on property values assessed on the same date (the lien date). The tax levy is billed on or about October 1 of the same year. Taxes become delinquent on the first day of March and are subject to penalties of 2% per month, not to exceed 24%. Property assessments are provided by the Sevier County Tax Assessor; however, the City bills and collects its own property taxes.



## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Inflows of Resources** - As noted above, property taxes for 2015 are recognized as an enforceable legal claim on January 1, 2015. However, the revenue net of estimated refunds and estimated uncollectible amounts is recognized in the year in which the levy occurs and therefore is deferred until the following year. The Board's deferred inflows of resources consist of capital contributions receivable from the City for development.

The negative fair value of the derivative instrument is reported as a deferred inflow of resources.

**Revenues - Exchange and Nonexchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The City records revenue as billed to its customers based on a monthly meter reading cycle in the proprietary fund. Any service rendered from the latest billing cycle date to the end of the month is unbilled and is not reflected in the financial statements.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See "Property Taxes" above.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Tap Fees** - In the water and sewer fund all tap fees are recorded as operating revenue and the related cost of setting taps is expensed. The amount assessed does not substantially exceed the cost to connect.

**Reclassifications** - Certain amounts in the financial statements and/or accompanying footnotes related to June 30, 2014 balances may have been reclassified in order to be consistent with their classification for June 30, 2015.

## **NOTE 3 - CASH AND CERTIFICATES OF DEPOSIT**

**Custodial Credit Risk - Deposits** - In the case of cash and certificates of deposit, this is the risk that in the event of a bank failure, the City's deposits will not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City follows State law regarding collateralization of deposits, which requires collateral to be obtained on any deposits exceeding insurance coverage of the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2015, the book balances of cash, certificates of deposit, and restricted cash totaled \$55,864,682 and the bank balances totaled \$57,132,285 (\$2,327,043 of which was covered by FDIC insurance, \$39,744,916 was insured by the Tennessee Bank Collateral Pool Board of the State of Tennessee Treasury Department and \$15,060,326 which is in a financial institution not participating in the bank pool, but this institution pledges collateral held in safekeeping by a third party bank acting as an agent of the City in the City's name).

The Board has book and bank balances of cash and restricted cash totaling \$1,251 as of June 30, 2015. The Board has no balance of uninsured cash as of June 30, 2015.

## NOTE 4 - INVESTMENTS

As of June 30, 2015, the City had the following investments:

	Fair Value/ Carrying Amount	Credit Quality/ Rating	Expected Maturity
<b><u>Primary Government</u></b>			
Fixed Agency Securities	\$ 2,328,197	AAA - AA	1-12 Months
Taxable Municipals	1,057,421	AAA - A	2 - 24 Months
Tax-free Municipals	5,730,882	AAA - A	2 - 19 Months
Short Term Investments	256,248	***	***
Certificates of Deposit	1,000,383	**	2 - 14 Months
	<u>\$ 10,373,131</u>		

\*\* All Certificates of Deposit are fully secured by FDIC Insurance.

\*\*\* Overnight Funds Securities (Federated Prime Cash Obligation Fund)

	Fair Value/ Carrying Amount	Credit Quality/ Rating	Expected Maturity
<b><u>Component Unit</u></b>			
Short Term Investments	<u>\$ 232,890</u>	***	***

\*\*\* Overnight Funds Securities (Federated Prime Cash Obligation Fund)

### ***Investment Policies***

**Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City and Board manage their exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment.

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City and Board place no limit on the amount it may invest in any one issuer. As of June 30, 2015, 65% of the City's investments are in municipal bonds and 22% are in fixed agency securities.

**Custodial Credit Risk - Investments** - For an investment, this is the risk that, in the event of the failure of the counterparty, the City or Board will not be able to recover the value of their investments or collateral securities that are in the possession of an outside party. The City's and Board's investment broker at June 30, 2015 provides Securities Investor Protection Corporation (SIPC) and other insurance.

**NOTE 5 - RECEIVABLES**

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including restricted receivables and the applicable allowance for uncollectible accounts are as follows:

	General Fund	Water and Sewer Fund	Nonmajor and Other Funds	Total
<b>Receivables:</b>				
Interest	\$ 5,295	\$ 492	\$ 0	\$ 5,787
Taxes				
Property - Unbilled	1,247,113	0	0	1,247,113
Property - Billed	96,259	0	0	96,259
Sales	1,171,024	0	0	1,171,024
Special Gross Receipts	1,273,294	0	0	1,273,294
Amusement	585,738	0	0	585,738
Restaurant	289,256	0	0	289,256
Room Occupancy	544,650	0	0	544,650
Premier Resort	644,720	0	0	644,720
Gasoline (Restricted for Streets and Highways)	0	0	45,208	45,208
Wholesale Beer	88,134	0	0	88,134
Minimum Business	127,439	0	0	127,439
Other	86,631	0	0	86,631
Accounts - Billed	0	1,374,734	0	1,374,734
Special Assessments	0	15,296	0	15,296
Intergovernmental	862,807	12,112	0	874,919
Gross Receivables	7,022,360	1,402,634	45,208	8,470,202
Less: Allowance for Uncollectibles	(9,474)	0	0	(9,474)
<b>Net Total Receivables, Fund Level</b>	<b>7,012,886</b>	<b>1,402,634</b>	<b>45,208</b>	<b>8,460,728</b>
Tourism Development Zone Sales Taxes	0	0	3,665,056	3,665,056
<b>Total Receivables, Government Wide Level</b>	<b>\$ 7,012,886</b>	<b>\$ 1,402,634</b>	<b>\$ 3,710,264</b>	<b>\$ 12,125,784</b>

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2015 is as follows:

	Due From Other Funds	Due to Other Funds	Internal Balances	Due From Component Unit	Due to Primary Government
<b>Governmental Activities</b>					
General Fund	\$ 1,563,515	\$ (371,572)	1,191,943	\$ 234,141	\$ 0
Nonmajor Funds	465,498	0	465,498	0	0
Total Governmental Activities	2,029,013	(371,572)	1,657,441	234,141	0
<b>Business-type Activities</b>					
Water and Sewer	893	(94,872)	(93,979)	0	0
Events Center	53	(1,563,515)	(1,563,462)	0	0
Total Business-type Activities	946	(1,658,387)	(1,657,441)	0	0
<b>Component Unit</b>					
Industrial Development Board	\$ 0	\$ 0	\$ 0	\$ 0	\$ 234,141

These balances relate primarily to the reimbursement of expenditures incurred, or income earned, by one fund but paid by, or received by, another fund. All interfund balances are short term and scheduled to be collected/paid in the subsequent year.

## NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund transfers during the fiscal year were as follows:

	Transfers From:			Total
	Governmental Activities		Business Type Activities	
	General Fund	Nonmajor Funds	Water and Sewer Fund	
<b>Transfers To:</b>				
<i>Governmental Activities:</i>				
Nonmajor Funds	\$ 837,492	\$ 0	\$ 0	\$ 837,492
<i>Business-type Activities:</i>				
Events Center Fund	1,171,128	2,628,716	0	3,799,844
	<u>\$ 2,008,620</u>	<u>\$ 2,628,716</u>	<u>\$ 0</u>	<u>\$ 4,637,336</u>

Transfers at the fund level are used to (1) move revenues or other cash receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

## NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 45,663,035	\$ 0	\$ (550,191)	\$ 45,112,844
Construction in Progress	17,476,913	18,071,243	(5,123,027)	30,425,129
Total Capital Assets, Not Being Depreciated	<u>63,139,948</u>	<u>18,071,243</u>	<u>(5,673,218)</u>	<u>75,537,973</u>
Capital Assets, Being Depreciated:				
Buildings	19,147,047	230,322	0	19,377,369
Improvements other than Buildings	10,960,935	116,222	0	11,077,157
Equipment	5,200,423	263,905	(23,162)	5,441,166
Automobiles	15,033,640	613,462	(1,488,911)	14,158,191
Infrastructure	48,859,923	4,892,705	0	53,752,628
Total Capital Assets, Being Depreciated	<u>99,201,968</u>	<u>6,116,616</u>	<u>(1,512,073)</u>	<u>103,806,511</u>
Less accumulated depreciation for:				
Buildings	(6,947,572)	(484,387)	0	(7,431,959)
Improvements other than Buildings	(3,895,866)	(515,699)	0	(4,411,565)
Equipment	(3,619,966)	(297,408)	23,162	(3,894,212)
Automobiles	(8,200,574)	(1,020,900)	1,488,911	(7,732,563)
Infrastructure	(17,325,636)	(880,273)	0	(18,205,909)
Total Accumulated Depreciation	<u>(39,989,614)</u>	<u>(3,198,667)</u>	<u>1,512,073</u>	<u>(41,676,208)</u>
Total Capital Assets, Being Depreciated, Net	<u>59,212,354</u>	<u>2,917,949</u>	<u>0</u>	<u>62,130,303</u>
Governmental Activities Capital Assets, Net	<u>\$ 122,352,302</u>	<u>\$ 20,989,192</u>	<u>\$ (5,673,218)</u>	<u>\$ 137,668,276</u>

(Table Continued on Next Page)

**NOTE 7 - CAPITAL ASSETS (Continued)**

	Balance July 01, 2014	Increases	Decreases	Balance June 30, 2015
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land and Land Rights	\$ 3,683,938	\$ 0	\$ 0	\$ 3,683,938
Construction in Progress	29,548,542	18,234,080	(740,023)	47,042,599
Total Capital Assets, Not Being Depreciated	33,232,480	18,234,080	(740,023)	50,726,537
Capital Assets, Being Depreciated:				
Buildings	52,044,138	0	0	52,044,138
Water Plant and Improvements other than Buildings	13,447,164	0	0	13,447,164
Equipment	2,249,674	158,254	0	2,407,928
Automobiles	956,074	119,480	(68,208)	1,007,346
Infrastructure	51,209,498	740,023	0	51,949,521
Total Capital Assets, Being Depreciated	119,906,548	1,017,757	(68,208)	120,856,097
Less Accumulated Depreciation for:				
Buildings	(1,067,099)	(3,825)	0	(1,070,924)
Water Plant and Improvements other than Buildings	(8,470,071)	(235,550)	0	(8,705,621)
Equipment	(453,496)	(121,952)	0	(575,448)
Automobiles	(477,147)	(62,858)	68,208	(471,797)
Infrastructure	(17,802,595)	(2,384,213)	0	(20,186,808)
Total Accumulated Depreciation	(28,270,408)	(2,808,398)	68,208	(31,010,598)
Total Capital Assets, Being Depreciated, Net	91,636,140	(1,790,641)	0	89,845,499
Business-type Activities Capital Assets, Net	\$ 124,868,620	\$ 16,443,439	\$ (740,023)	\$ 140,572,036

Depreciation was charged to governmental functions as follows:

Administration, Finance and Other General Government:	
Administration/Finance	\$ 104,946
City Maintenance	29,222
City Garage	30,140
Community Development	2,479
Department of Tourism	67,773
Fire Protection	194,483
Highways and Streets	1,134,226
Library Administration	28,374
Park Administration	357,392
Police Protection	307,874
Protective Inspection	3,904
Public Transportation System	479,433
Recreation Administration/Community Center	254,566
Sanitation	166,105
Special Events	37,750
Total Governmental Depreciation	\$ 3,198,667

Component Unit	Balance July 01, 2014	Increases	Decreases	Balance June 30, 2015
<b>Industrial Development Board</b>				
Capital Assets, Not Being Depreciated:				
Land and Land Rights	\$ 0	\$ 0	\$ 0	\$ 0
Capitalized Interest	0	0	0	0
Construction in Progress	0	56,066	(54,566)	1,500
Total Capital Assets, Not Being Depreciated	0	56,066	(54,566)	1,500
Industrial Development Board				
Capital Assets, Net	\$ 0	\$ 56,066	\$ (54,566)	\$ 1,500

## NOTE 7 - CAPITAL ASSETS (Continued)

The City's policy is to capitalize interest costs when incurred by proprietary funds on debt where proceeds are used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. The City capitalized \$1,462,155 of interest during the year ended June 30, 2015.

At June 30, 2015, the City had significant contractual commitments for construction totaling approximately \$62,998,000 with total related expenditures to date of approximately \$39,173,000.

## NOTE 8 - EQUIPMENT AND OTHER LEASE COMMITMENTS

The City has equipment leases that are classified as operating leases. Rental expense under all operating leases amounted to \$65,088. The contracts provide for termination of the leases under certain conditions.

Also see Notes 14 and 15 for other lease agreements.

## NOTE 9 - LONG-TERM OBLIGATIONS AND INTEREST RATE SWAP

The long-term obligations outstanding and the changes therein for the year ended June 30, 2015 are as follows:

Debt Issue	Balance July 01, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion
<b>Governmental Activities:</b>					
Long-Term Debt					
General Obligation Bonds					
Refunding, Series 2008A	\$ 8,946,942	\$ 0	\$ 280,221	\$ 8,666,721	\$ 286,059
Refunding, Series 2009	450,000	0	225,000	225,000	225,000
Refunding, Series 2009B	12,660,000	0	1,920,000	10,740,000	1,995,000
Series 2012	25,000,000	0	675,000	24,325,000	700,000
Series 2014	0	9,750,000	0	9,750,000	330,000
Series 2015	0	9,890,000	0	9,890,000	355,000
Loans Payable to the Public					
Building Authority of Sevier County:					
Loan Series VII-K-1	17,235,000	0	0	17,235,000	15,000
Total Long-Term Debt	64,291,942	19,640,000	3,100,221	80,831,721	3,906,059
Premiums on Issuance	2,019,770	307,762	185,342	2,142,190	0
	66,311,712	19,947,762	3,285,563	82,973,911	3,906,059
Compensated Absences	605,200	574,152	457,646	721,706	721,706
Total Long-Term Obligations	\$ 66,916,912	\$ 20,521,914	\$ 3,743,209	\$ 83,695,617	\$ 4,627,765
<b>Business-Type Activities:</b>					
Long-Term Debt					
General Obligation Bonds,					
Refunding, Series 2008A	\$ 6,403,057	\$ 0	\$ 199,799	\$ 6,203,258	\$ 203,941
Refunding, Series 2009	1,395,000	0	450,000	945,000	180,000
Series 2010	45,000,000	0	0	45,000,000	0
Loans Payable to the Public					
Building Authority of Sevier County:					
Loan Series VII-K-1	12,325,000	0	95,000	12,230,000	385,000
Total Long-Term Debt	65,123,057	0	744,799	64,378,258	768,941
Premium (Discount) on Issuance	(48,404)	0	2,812	(51,216)	0
	65,074,653	0	747,611	64,327,042	768,941
Capital Lease	49,145,000	0	315,000	48,830,000	330,000
Compensated Absences	44,078	49,488	31,809	61,757	61,757
Total Long-Term Obligations	\$ 114,263,731	\$ 49,488	\$ 1,094,420	\$ 113,218,799	\$ 1,160,698

**NOTE 9 - LONG-TERM OBLIGATIONS AND INTEREST RATE SWAP (Continued)**

During 2011, the City issued \$45,000,000 in General Obligation Bonds – Series 2010 (Federally Taxable - Build America Bonds). Interest payments are made semi-annually at a gross interest rate of 6.875%, or at a net rate of 3.78%. The City receives a direct subsidy of 41.76% from the United States Government that reduces its interest costs. The City has no assurance that the United States Government will continue to make the direct subsidy payments or reduce the amount of future subsidies. Interest subsidies received by the City during 2015 totaled \$1,324,138.

	Balance July 01, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion
<b>Component Unit:</b>					
Long-Term Debt					
Public Facility Bonds, Series 2011	\$ 49,145,000	\$ 0	\$ 315,000	\$ 48,830,000	\$ 330,000
Total Long-Term Debt	49,145,000	0	315,000	48,830,000	330,000
Premiums on Issuance	1,901,976	0	86,127	1,815,849	0
Total Long-Term Obligations	\$ 51,046,976	\$ 0	\$ 401,127	\$ 50,645,849	\$ 330,000

General obligation bonds and loans payable currently outstanding are as follows:

Debt Issue	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance June 30, 2015
<b>Governmental Activities:</b>					
General Obligation Refunding Bonds - Series 2008A	4.00% - 4.90%	4/24/2008	6/1/2028	\$ 9,999,443	\$ 8,666,721
General Obligation Refunding Bonds - Series 2009	3.00% - 3.75%	3/12/2009	6/30/2016	1,635,000	225,000
Loan Payable to the Public Building Authority of Sevier County - Series VII-K-1	5.00%	6/1/2011	6/1/2034	17,235,000	17,235,000
General Obligation Refunding Bonds - Series 2009B	2.50% - 4.25%	11/19/2009	6/1/2020	17,750,000	10,740,000
General Obligation Bonds Series 2012	2.50% - 4.00%	6/28/2012	6/1/2037	25,000,000	24,325,000
General Obligation Bonds Series 2014	2.00% - 3.50%	12/18/2014	6/30/2037	9,750,000	9,750,000
General Obligation Bonds Series 2015	2.00% - 3.00%	2/20/2015	6/30/2037	9,890,000	9,890,000
Total Governmental Activities Debt					\$ 80,831,721

**Business-Type Activities:**

General Obligation Refunding Bonds - Series 2008A	4.00% - 4.90%	4/24/2008	6/1/2028	\$ 5,350,557	\$ 6,203,258
Loan Payable to the Public Building Authority of Sevier County - Series VII-K-1	See interest rate swap information below	6/1/2011	6/1/2034	12,465,000	12,230,000
General Obligation Refunding Bonds - Series 2009	3.00% - 3.80%	3/12/2009	6/1/2020	3,465,000	945,000
General Obligation Bonds - Series 2010	6.875% - 7.125%	12/29/2010	6/1/2040	45,000,000	45,000,000
Total Business-Type Activities Debt					\$ 64,378,258

**Component Unit:**

Long-Term Debt					
Public Facility Bonds, Series 2011	3.00% - 5.00%	8/23/2011	6/1/2036	\$ 49,445,000	\$ 48,830,000

## NOTE 9 - LONG-TERM OBLIGATIONS AND INTEREST RATE SWAP (Continued)

All bonds and loans are backed by the full faith and credit of the City. The City has pledged certain revenues, including its local sales tax, premier resort tax and tourism development zone revenue, as collateral to repay its Series VII-K-1, Series 2008A, Series 2010 and Series 2012 long-term debt. Series V-H-1 was refunded in 2011 with Series VII-K-1. Series 2008A matures in 2018, Series VII-K-1 matures in 2034, Series 2010 matures in 2040 and Series 2012 matures in 2037. These debt issues were used primarily to fund public improvement projects of the City. For the year ended June 30, 2015, principal and interest payments on these debt issues were approximately 20% of the pledged revenue. Principal and interest remaining to be paid on Series 2008A, VII-K-1, Series 2010 and 2012 is approximately \$101,070,276, of which \$52,187,000 will be funded by governmental activities, based on market interest rates effective on June 30, 2015.

Additionally, the City has pledged future water and sewer operating revenues to repay its proprietary fund long-term debt. The debt issues of the proprietary fund, which mature through 2040, were used primarily to fund water and sewer improvement projects. For the year ended June 30, 2015, principal and interest payments on these debt issues were approximately 25% of the pledged revenue. Principal and net interest remaining to be paid on the proprietary fund debt is approximately \$108,378,000, based on market interest rates effective on June 30, 2015.

Loans payable as of June 30, 2015 consist of loans payable to the Public Building Authority of Sevier County (Authority). The loan agreements provide for the Authority to issue variable rate local government improvement bonds and loan the proceeds to the City on an as needed basis for various capital projects. In connection therewith, the Authority, under these loan agreements, at the request of and on behalf of the City, has entered into an interest rate swap agreement for certain of these local government improvement bonds.

Also see Note 15 related to conduit debt of the City's component unit (IDB).

### Interest Rate Swap

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by city governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the costs of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. This GASB statement requires most derivatives to be reported at fair value in the statement of net assets. Changes in fair value for derivative instruments that are reported like investment derivative instruments because of ineffectiveness are reported as changes in the statement of activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e. effective) derivative instruments are reported in the statement of net assets as deferrals. Interest rate swaps are classified as hedging derivative instruments if the hedging instruments meet effectiveness criteria established by GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The swap agreement described below did not meet that criteria and therefore is classified as an investment derivative.

**Objective of the Interest Rate Swap** - In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the Authority, on behalf of the City, entered into an interest rate swap in connection with its \$13 million bond issue which has now been refunded to Series VII-K-1. The intention of the swap is to effectively change the City's variable interest rates on the bonds to synthetic fixed rates.

**Terms** - Under the swap, the Authority pays the counterparty a fixed payment of 4.44% and receives a variable payment computed as 63.1% of the five-year London Interbank Offered Rate (LIBOR). The bonds hedged by the interest rate swap agreement had an original outstanding principal amount of \$13 million. At no time will the notional amount on interest rate swap agreement exceed the outstanding principal of the Series VII-K-1 Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index (the "SIFMA"). The related swap agreement matures on June 1, 2030. As of June 30, 2015, rates were as follows:

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	4.44%
Variable Payment from Counterparty	% LIBOR	-1.12%
Net Interest Rate Swap Payments		3.32%
True Interest Cost		0.87%
Synthetic Interest Rate on Bonds		4.19%



## NOTE 9 - LONG-TERM OBLIGATIONS AND INTEREST RATE SWAP (Continued)

The terms and rates of the outstanding swap as of June 30, 2015, were as follows.

Associated Debt Issue	Original Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Synthetic Rate	Swap Termination Date
Business-Type Activities						
Loan Payable to the Public				63.10% of		
Building Authority of Sevier				5 Year		
County - Series IV-E-1 <sup>1</sup>	\$ 13,000,000	12/28/2001	4.44%	LIBOR	4.19%	06/01/2030

<sup>1</sup>Refunded to Series V-H-1 previously and then to Series VII-K-1 in 2011

**Fair Value** - As of June 30, 2015, the swap has a negative fair value. The negative fair value of the swap may be countered by reductions in total interest payments required under the underlying bond, creating lower synthetic rates. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows to their present value.

The current notional and fair value amounts of the outstanding swap as of June 30, 2015, were as follows.

Associated Debt Issue	Changes in Fair Value		Fair Value at June 30, 2015		June 30, 2015
	Classification	Amount	Classification	Amount	Notional Amount
Business-Type Activities					
Investment Derivative:					
Loan Payable to the Public	Interest and		Deferred		
Building Authority of Sevier	Investment		Inflow of		
County - Series IV-E-1 <sup>1</sup>	Earnings	\$ (68,160)	Resources	\$(2,601,492)	\$12,230,000

<sup>1</sup>Refunded to Series V-H-1 previously and then to Series VII-K-1 in 2011

**Credit Risk** - As of June 30, 2015, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty, Morgan Keegan Financial Products, was rated A+ by Standard and Poor's as of June 30, 2015, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A by Moody's, Standard & Poor's and Fitch, respectively.

**Basis Risk** - The Series IV-E-1 swap exposes the City to basis risk when the BMA increases to above 63.10% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 63.10% of LIBOR, then the synthetic rate on the bonds will decrease.

**Termination Risk** - The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision," which states that the Authority, at the request of the City, or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the underlying bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the City, via the Authority, would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the City, via the Authority, for a payment equal to the swap's fair value.

## NOTE 9 - LONG-TERM OBLIGATIONS AND INTEREST RATE SWAP (Continued)

**Swap Payments and Associated Debt** - As of June 30, 2015, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain unchanged, for their terms were as shown below. As rates vary, variable-rate bond interest payments and net swap payments will vary. The following schedules do not include fees paid to administer the debt. These fees are expensed as incurred and are based on the amount of principal outstanding.

Annual debt service requirements to maturity of the primary government for the bonds and loans payable based on contractual requirements as of June 30, 2015 are as follows:

### Governmental Activities:

Year Ending June 30,	General Obligation Bonds		Loans Payable to Public Building Authority		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 3,891,059	\$ 2,258,565	\$ 15,000	\$ 861,750	\$ 3,906,059	\$ 3,120,315
2017	3,816,896	2,123,670	100,000	861,000	3,916,896	2,984,670
2018	3,921,896	1,987,707	125,000	856,000	4,046,896	2,843,707
2019	4,061,896	1,835,600	150,000	849,750	4,211,896	2,685,350
2020	4,171,896	1,678,750	175,000	842,250	4,346,896	2,521,000
2021-2025	12,784,875	6,742,758	5,410,000	3,638,750	18,194,875	10,381,508
2026-2030	13,353,203	4,226,781	9,025,000	2,102,750	22,378,203	6,329,531
2031-2035	12,110,000	2,211,200	2,235,000	286,250	14,345,000	2,497,450
2036-2040	5,485,000	276,963	0	0	5,485,000	276,963
	<u>\$ 63,596,721</u>	<u>\$ 23,341,993</u>	<u>\$ 17,235,000</u>	<u>\$ 10,298,500</u>	<u>\$ 80,831,721</u>	<u>\$ 33,640,493</u>

### Business-Type Activities:

Year Ending June 30,	General Obligation Bonds				Loans Payable to Public Building Authority *			Total		
	Coupon Principal	Interest	BABS Treasury Rebate	Net Interest	Principal	Interest	Interest Rate Swaps, Net	Principal	Net Interest	Interest Rate Swaps, Net
2016	\$ 383,941	\$ 3,496,126	\$ (1,331,598)	\$ 2,164,529	\$ 385,000	\$ 106,574	\$ 405,647	\$ 768,941	\$ 2,271,103	\$ 405,647
2017	393,104	3,480,709	(1,331,598)	2,149,111	410,000	103,219	392,877	803,104	2,252,330	392,877
2018	398,104	3,465,910	(1,331,598)	2,134,312	435,000	99,646	379,278	833,104	2,233,958	379,278
2019	403,104	3,450,415	(1,331,598)	2,118,818	460,000	95,855	364,850	863,104	2,214,673	364,850
2020	403,104	3,434,681	(1,331,598)	2,103,083	485,000	91,847	349,593	888,104	2,194,930	349,593
2021-2025	2,905,126	16,854,334	(6,657,989)	10,196,345	4,305,000	367,431	1,398,537	7,210,126	10,563,776	1,398,537
2026-2030	8,961,776	15,415,584	(6,372,729)	9,042,855	5,750,000	156,200	594,540	14,711,776	9,199,055	594,540
2031-2035	17,300,000	11,208,750	(4,702,071)	6,506,679	0	0	0	17,300,000	6,506,679	0
2036-2040	21,000,000	4,613,438	(1,935,337)	2,678,101	0	0	0	21,000,000	2,678,101	0
	<u>\$ 52,148,258</u>	<u>\$ 65,419,948</u>	<u>\$ (26,326,116)</u>	<u>\$ 39,093,832</u>	<u>\$ 12,230,000</u>	<u>\$ 1,020,772</u>	<u>\$ 3,885,322</u>	<u>\$ 64,378,258</u>	<u>\$ 40,114,604</u>	<u>\$ 3,885,322</u>

\* Includes interest rate swap effective through 2030.

### Component Unit Activities:

Year Ending June 30,	Public Facility Bonds	
	Principal	Interest
2016	\$ 330,000	\$ 2,304,275
2017	350,000	2,294,375
2018	400,000	2,283,875
2019	400,000	2,267,875
2020	450,000	2,251,875
2021-2025	10,500,000	10,210,875
2026-2030	13,350,000	7,378,750
2031-2035	18,050,000	3,873,750
2036-2040	5,000,000	225,000
	<u>\$ 48,830,000</u>	<u>\$ 33,090,650</u>

## NOTE 10 - RETIREMENT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

### Deferred Compensation Plan

The City, through its City of Pigeon Forge, Inc. Deferred Compensation Plan, a single employer plan administered by ERISA Services, Incorporated, provides pension benefits for all its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after six months of employment and attaining age 21. Participating employees may contribute up to the maximum amount allowable under IRS code. In order to receive the City's 5% contribution, participating employees must also contribute a minimum of 5% to the plan. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after seven years of continuous service. Employees who leave employment or cease participation before seven years of service forfeit the City's portion of contributions and the related interest. The amount forfeited may be used to reduce the City's current period contribution requirement.

The following is a schedule of contributions to the deferred compensation plan for the fiscal year ending June 30, 2015:

Total Employee Contributions	\$ 686,091
City's Contributions to the Plan, Net of Forfeitures	440,026
Total Contributions to the Plan, Net of Forfeitures	<u>\$ 1,126,117</u>

### Employee Pension Plan

Effective June 1, 2006, the City froze its City of Pigeon Forge, Inc. Employees' Pension Plan, a single employer defined contribution plan which is also administered by ERISA Services, Incorporated. This plan no longer receives employee or employer contributions. Employees will continue to maintain account holdings (plus investment earnings/losses) in this plan and will be entitled to withdrawals as outlined in the plan document.

### Other Post-Employment Benefits

The Governmental Accounting Standards Board (GASB) has established standards for the measurement, recognition, and reporting of other post-employment benefits ("OPEB"). OPEB includes post-employment benefits other than pension, which, for the City, is presently limited to post-employment health care ("the Plan"). GASB 45 requires the recognition of the accrued OPEB liability for the respective year, plus the disclosure of the total unfunded liability.

#### Plan Description

The City provides certain post-employment benefits to former employees (including former commissioners). The City will allow the eligible former employees and their dependents to participate in the City's health insurance plan and the City will pay all related premiums. Former employees that have attained the age of 62 and have at least 15 years of consecutive services may obtain health insurance coverage for up to 36 continuous months. The City will also provide health insurance coverage, for employees that are deemed 100% disabled and have at least 15 years of consecutive service, for a period of 18 to 29 months or until such time the employee becomes eligible for Social Security benefits. Former commissioners that have 15 years of service and do not have availability of Medicare or any other type of health insurance coverage may obtain health insurance coverage for up to 36 continuous months.

#### Funding Policies

The City recognizes its share of the cost of post-employment health care benefits as an expense as premiums are paid. These benefits are funded by the City on a pay-as-you-go basis. The City paid \$43,134 in 2015 to provide these benefits.

## NOTE 10 - RETIREMENT PLANS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

### Annual OPEB Cost and Net OPEB Obligation

The City had an actuarial valuation performed in 2014 to determine the projected liabilities of the Plan as of that date as well as the employer's Annual Required Contribution (ARC). Such valuation is required to be performed every two years. ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The Plan contains both active employees and retirees. The City made contributions to provide benefits to eligible retired individuals and made no additional contributions to the Plan.

For the year ended June 30, 2015, the City's annual OPEB cost was more than the amount contributed to the Plan by \$47,639. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 90,773	33.1%	\$ 181,855
June 30, 2014	\$ 89,903	32.3%	\$ 123,633
June 30, 2013	\$ 65,181	49.0%	\$ 67,180

### Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the Plan was 0% funded. The City has chosen not to establish a trust for these benefits. The City will evaluate the funding status each year and will obtain actuarial valuations of the potential liability on a bi-annual basis. A schedule detailing the funding and actuarial valuations is included in the required supplementary information on page 53.

### Actuarial Valuations, Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the ARC of the City and Plan members are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and Plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2014 valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate. Annual medical costs were assumed to increase 2.5% in 2014 and 4.5% thereafter. The estimated actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over a 30 year period.

## **NOTE 11 - JOINT VENTURES AND OTHER INTERLOCAL GOVERNMENTAL AGREEMENTS**

### Sevier Solid Waste, Inc.

In 1988, the City entered into a joint venture with the City of Gatlinburg, the City of Sevierville, and Sevier County to create Sevier Solid Waste, Inc. Sevier Solid Waste, Inc. is a non-profit organization created under the laws of the State of Tennessee for the purpose of developing and implementing a comprehensive program for the collection, transportation, disposal, and recycling of solid waste generated within the cities of Gatlinburg, Pigeon Forge, Sevierville, and Sevier County, Tennessee. The Corporation received a pro-rata contribution from each of the governmental units when the management of the operation was assumed from the City of Gatlinburg in July, 1990. Sevier Solid Waste, Inc. was formed pursuant to a mutual interlocal cooperation agreement between each of the governmental entities.

Sevier Solid Waste, Inc. is governed by a board of directors, which consists of one representative appointed from each governmental unit. Each director has a vote equal to his/her jurisdiction's pro-rata portion of the total tonnage of solid waste generated by the four governmental entities. The Public Building Authority of Sevier County issued in 1995 the Solid Waste Facility Bonds, Series 1995 in the amount of \$12,500,000 to finance the capital needs of Sevier Solid Waste, Inc. In 2005, the remaining balance of these Series 1995 bonds was refinanced through the Public Building Authority of Sevier County with new bonds, Series VI-E-1, with the City's pro-rata portion being 26.19%. In 1999, the Public Building of Sevier County issued Solid Waste Facility Bonds, Series III-E-3 in the amount of \$2,500,000 to finance the capital needs of Sevier Solid Waste, Inc., with the City's pro-rata portion being 26.9%. During 2009, these debt issuances were refinanced with each governmental unit issuing debt for their pro-rata share of the outstanding debt. The City of Pigeon Forge issued \$1,635,000 in bonds (included in Series 2009 refunding bonds) for its portion of the outstanding Sevier Solid Waste Facility Bonds (see Note 9). Each governmental unit is assessed for its share of the operational costs of Sevier Solid Waste based on a preset tipping fee multiplied by the total tonnage of solid waste taken to the facility each month by the governmental entity. For the year ended June 30, 2015, the City's portion of solid waste disposal services performed was \$730,308. Complete financial statements for Sevier Solid Waste, Inc. may be obtained from their administrative office at 943 Center View Road, Sevierville, Tennessee 37862.

### Sevier Water Board, Inc.

In 1994, the City entered into a joint venture with the City of Gatlinburg, the City of Sevierville, and Sevier County to create the Sevier Water Board, Inc. Sevier Water Board, Inc. is a non-profit organization created under the laws of the State of Tennessee. The purpose of the joint venture is to secure future sources of raw water for the use and benefit of the participants' citizens. An interlocal cooperation agreement, dated December 14, 1994, was entered into providing for the development of facilities for the intake of raw water from Douglas Lake and transmission of the raw water to treatment facilities servicing the participants' respective distribution systems.

The City of Pigeon Forge, through an interlocal agreement with Sevier County, the City of Gatlinburg, and the City of Sevierville agreed that it was in the best interest of these cooperative governments to jointly construct and operate water intake, pumping, treatment, and transmission facilities for the use and benefit of these entities. To finance the project, an agreement was reached with the PBA of Sevier County to issue Adjustable Rate Local Government Public Improvement Bonds, Series I-A-1. Through a loan agreement between the participating governments dated June 1, 1996, the City of Pigeon Forge's percentage of ownership and liability was determined to be 44%. During 2009, the outstanding bonds were refinanced by each participating entity issuing debt for their pro-rata share of the outstanding debt. The City of Pigeon Forge issued \$1,420,000 in bonds (included in Series 2009 refunding bonds) for the refinancing of the City's share of the debt. Total investment in the Sevier Water Board, Inc. by the City of Pigeon Forge as of June 30, 2015 was \$6,000,522 (cost). The joint venture investment and the related debt are recorded in the water and sewer fund. Financial statements of the Sevier Water Board, Inc. are available at the City of Pigeon Forge.

### Gatlinburg Airport Authority, Inc.

The City of Pigeon Forge, Tennessee appropriated \$100,000 to the Gatlinburg Airport Authority, Inc. (Airport) for the year ended June 30, 2015. The Cities of Gatlinburg and Pigeon Forge have equal representation of two members each on the board of the Airport. The two members representing each City are nominated by the respective City Manager, and the remaining fifth member of the board is a representative of the Sevier County industrial community chosen by consultation between the respective Cities. All members of the Airport's board of commissioners shall be considered for appointment by the City of Gatlinburg's board of commissioners and appointed by a majority vote thereof. Both Cities have agreed to make annual payments to the Airport to be used for operation, maintenance and improvements. Complete financial statements for the Gatlinburg Airport Authority, Inc. can be obtained from the City of Gatlinburg or the Airport's administrative office at Sevier County Industrial Park, Dolly Parton Parkway, Sevierville, Tennessee 37862.

## NOTE 11 - JOINT VENTURES AND OTHER INTERLOCAL GOVERNMENTAL AGREEMENTS (Continued)

### Sevier County Economic Development Council, Inc.

The Sevier County Economic Development Council, Inc. (Council) is jointly operated by Sevier County and the cities of Sevierville, Pigeon Forge, and Gatlinburg, and various local private enterprises. The City provides an operating contribution to the Council to assist in its purpose to coordinate the governmental and private sector activities in attracting businesses and industries to the Sevier County area. The Council's board is comprised of 12 members, one of whom represents the City of Pigeon Forge. The City has no financial obligation related to the Council other than its budgeted annual operating contribution.

### Pigeon Forge Housing Bureau

During 2013, the City entered into a joint venture with the Pigeon Forge Hospitality Association to create the Pigeon Forge Housing Bureau ("PFHB"). The purpose of the PFHB is to provide event organizers in Pigeon Forge the ability to offer to its participants lodging within the corporate limits of the City at locations of the event sponsor's choosing, with the ability for event attendees to obtain their lodging through a central location. The City agreed to furnish software programming, mailing services and reservation telephone support for the operation of the PFHB.

## NOTE 12 - MANAGEMENT CONTRACT - SEWER PLANT

The City's sewage treatment plant is operated under a contract by Veolia Water North America (VWNA). VWNA charged \$164,141 per month in 2015, subject to annual adjustment, for its management services and is responsible for all operating expenses incurred by the sewer system. All property and equipment is retained and insured by the City. At the end of each year, if VWNA has operated for less than its budgeted amount, PSG retains 10% of the savings for its employees and returns 90% to the City of Pigeon Forge.

## NOTE 13 - LEASE REVENUE AND INFRASTRUCTURE DEVELOPMENT FEES

The City leases property and facilities to the United States Postal Service. The initial term of the lease was for twenty years through September 2015, which has subsequently been extended through September 2020 with payments of \$5,222. The lease also has one five-year option renewal period remaining.

The City has also entered into a lease agreement to allow the use of a communications tower by a cellular provider company. The monthly lease payments are \$863 for five years through 2016. The lease has an option renewal period of five years.

The City receives monthly infrastructure development fees that range from \$1,198 to \$5,305 per month. The agreements require the payments to be made through various dates ending between 2022 and 2026.

Anticipated rent and fee income per these agreements is as follows:

<u>Fiscal Year Ended</u>	<u>Rent Income</u>	<u>Fee Income</u>
2016	\$ 23,338	\$ 36,932
2017	0	36,932
2018	0	36,932
2019	0	36,932
2020	0	36,932
Thereafter	0	119,748
	<u>\$ 23,338</u>	<u>\$ 304,408</u>

Additionally, the City allows civic and non-profit organizations to use certain city facilities at no charge. No amounts have been recorded in these financial statements for the value of these services.

# **NOTE 14 - LEASE AGREEMENT FOR LECONTE CENTER**

The City has entered into a lease agreement with the Board to lease the facilities, furnishings and equipment of the LeConte Center that was completed and opened in September 2013. The initial term of the lease commenced as of August 23, 2011, the date of issuance of the Series 2011 bonds, and shall expire on June 1, 2036, unless terminated earlier. The scheduled lease payments from the City to the Board, which began on June 1, 2014, will mirror the bond interest and principal payments, due each December 1 and June 1. However, for the interest only payments due from December 1, 2011 to December 1, 2013 in the amount of \$5,277,749 the Board agreed to use proceeds deposited to the Bond Fund for interest (from proceeds of the Series 2011 Bonds) to pay these interest payments. The capitalized portion of these interest payments (approximately \$4.6 million dollars) was included in the basis of the project cost. As part of the LeConte Center construction, the City's general fund incurred \$4,428,291 in implementation costs, primarily developer fees, that were recorded in fiscal year 2014 as a capital contribution to the Board and included in the cost of the overall project. The City is responsible for all maintenance, operation and improvement costs of the leased property. The City has the option to purchase all leased property at any time at a price equal to the outstanding principal and interest due on the bonds and all costs associated with transferring the title of the property. The lease agreement states that the Board's interest in the leased property shall be transferred to the City upon this option purchase or on June 1, 2036, after the final payment of all outstanding Series 2011 bonds. Accordingly, this transaction has been recorded as a capital lease and upon completion of construction of the LeConte Center, in fiscal year 2014, all leased property was recorded as an asset of the City in the LeConte Center fund with a corresponding lease liability to the Board and with a lease receivable (net investment in capital lease) recorded by the Board. The actual bond liability is recorded on the books of the Board. The \$5.6 million dollar difference between the transferred asset of approximately \$55 million dollars and the original \$49.4 million dollar lease receivable represented costs not recovered through the lease, and was recorded in 2014 as a capital contribution from the Board to the City.

Capital lease assets are included in capital assets in the accompanying statement of net position of the LeConte Center fund and consist of the following as of June 30, 2015:

Land	\$ 3,185,168
Event Center Construction	42,727,565
Implementation Costs Contributed by the General Fund to the Board	4,428,291
Capitalized Interest	<u>4,640,246</u>
Total Event Center Building	54,981,270
Accumulated Amortization	<u>(2,266,080)</u>
Net Assets Under Capital Lease	<u>\$ 52,715,190</u>

Future minimum lease payments to the Board from the LeConte Center Fund under the capital lease agreement as of June 30, 2015:

<u>Fiscal Year Ended</u>	<u>Events Center</u>
2016	\$ 2,634,275
2017	2,644,375
2018	2,683,875
2019	2,667,875
2020	2,701,875
2021 - 2025	20,710,875
2026 - 2030	20,728,750
2031 - 2035	21,923,750
2036	<u>5,225,000</u>
	81,920,650
Less Portion Representing Interest	<u>(33,090,650)</u>
Present Value of Minimum Lease Payments Under	48,830,000
Less Current Maturities	<u>(330,000)</u>
	<u>\$ 48,500,000</u>

#### **NOTE 14 - LEASE AGREEMENT FOR LECONTE CENTER (Continued)**

The following lists the Board's components of the net investment in capital lease as of June 30, 2015:

Minimum Lease Payments Receivable	\$ 81,920,650
Less Unearned Income	<u>(32,898,621)</u>
Net Investment in Capital Lease	<u>\$ 49,022,029</u>

#### **NOTE 15 - ECONOMIC DEVELOPMENT - PUBLIX SHOPPING CENTER**

On January 28, 2015, the Board entered into an agreement with PFWV, LLC (the "Developer") to facilitate the construction of a Publix grocery store and other retail shopping in the City of Pigeon Forge, Tennessee. To encourage the development of the project for the benefit of the public, the Board has agreed to provide financial assistance by reimbursing the Developer for a total of up to \$3,000,000 to be paid upon reaching certain construction and occupancy milestones.

The Board and the City have entered into a separate capital contribution agreement to provide the funding to the Board for the Developer reimbursements discussed above. Funding provided by the City to the Board is to be made in conjunction with the same construction and occupancy milestones as agreed to with the Developer by the Board. The Developer has reached the first milestone by securing a lease agreement with Publix Tennessee, LLC for the operation of a grocery store on the land leased by the Developer from the Board, as discussed below, and accordingly the Board has received from the City and paid to the Developer \$1,000,000 in 2015. The remaining funding due from the City is recorded as capital contributions receivable and deferred inflows of resources in the Board's statement of net position.

In addition, the Board also issued Revenue Bond (PFWV Project), Series 2015 in the amount of \$2,000,000 to finance construction and land acquisition by the Developer. The land was deeded by the Developer to the Board and then leased by the Board to the Developer for \$1 a year, plus payments in lieu of tax (PILOT). The bond, purchased by Smart Bank, is to be repaid by these PILOT payments, from the revenues and receipts derived from the project. Bond and lease payments are structured to offset, with both maturing January, 2035. The bond is secured by an assignment of lease payments, a Developer Assignment Agreement and personal guarantees of the developer and other related parties. The bond is considered to be conduit debt and accordingly the debt and related assigned lease are not reported in the Board's statement of net position.

The Board has also agreed to enter into a lease agreement with Publix Tennessee, LLC upon completion of the project, expected to be Spring of 2016, to encourage them to equip the retail store with machinery, equipment, and other personal property. Rental payments during the term of this equipment lease will also represent PILOT payments and will be credited against the PILOT payments on the land lease discussed above. The payments, as with the land lease, will be paid to Smart Bank, as the assignee of the Lease and holder of the above Revenue Bond (PFWV Project), Series 2015. This lease agreement matures January 27, 2035.

#### **NOTE 16 – NONCASH CAPITAL CONTRIBUTIONS**

During 2015, the City granted a noncash capital contribution to the Board in the amount of \$171,969. This contribution resulted from a reduction in the balance due to the City of Pigeon Forge recorded in the statement of net position. The Board granted a noncash capital contribution to the City of Pigeon Forge representing the Board's purchase of additional machinery and equipment for use at the LeConte Center. This capital contribution made from the Board to the City's LeConte Center Fund was recorded in the amount of \$54,566.

Also see Note 15 for other capital contributions.



## **NOTE 17 - RISK MANAGEMENT**

The City of Pigeon Forge purchases commercial insurance and participates in the Tennessee Municipal League Risk Management Pool to handle risks arising from workers' compensation, torts, asset theft, damage or destruction, errors or omissions, or acts of God, whereby these risks are transferred to the Pool and/or insurance company. No significant reductions were made in insurance coverage from the previous year. No insurance settlements exceeded coverage in any of the prior three years.

Coverage through the Pool is for payment of damage claims and to defend the City in any damage suit that is included in the coverage, up to the policy's applicable limits, at the Pool's expense. This includes any other necessary costs relating to the defense. The City has the responsibility of following any reporting requirements, including timely reporting of any incidents that might result in a damage claim. The City is to do everything necessary to protect the rights of recovery of the Pool and enforcement of these rights by complying with all terms of the policy. The Pool has the right to apply premium rate changes as necessary.

## **NOTE 18 - COMMITMENTS AND CONTINGENCIES**

The City is involved from time to time in eminent domain condemnation proceedings. The City deposits funds with the Circuit Court for Sevier County, Tennessee, based on the appraised value of the property, to be used for the acquisition of various parcels of land or land rights. The amounts deposited are recorded as land and land easements on the government-wide financials once the order of possession from the Court is awarded. If the Court has not issued an order of possession, the funds are treated as restricted deposits. The parcels are not deeded to the City until the case has been settled. Any difference between the deposited funds and the final balance paid for the condemned property is adjusted in the year that the case is settled.

In April of 2006, the State of Tennessee approved the City's application for a Tourist Development Zone (TDZ). The boundaries of the TDZ are within the boundaries of the City's Central Business Improvement District. The City plans to invest up to \$179 million to develop new Qualified Public Use Facilities within the TDZ. These planned public use facilities, which are part of the City's strategy to continue to enhance tourism and economic development in Pigeon Forge and the state of Tennessee, included a civic events center, central trolley station, amphitheater and festival center. Other planned TDZ projects included a wastewater treatment plant expansion, improvements to roadways and other necessary public infrastructure improvements, all of which should facilitate significant new private development. To date, the City has purchased land and completed a public parking lot, made sewer line improvements, incurred continuing construction costs related to the new waste water treatment plant and construction of the new LeConte Center is complete. The estimated cost of the ongoing improvements expected to be constructed, installed or improved within and for the TDZ are to be financed through the sale of bonds, with such bonds to be paid through an apportionment of the incremental increase in sales and use taxes generated as a result of the improvements, pursuant to the authority set out in the Tennessee Convention Center and Tourism Development Financing Act of 1998. Since commencement of the improvements under the TDZ, the City has issued debt totaling approximately \$113 million through June 30, 2015 for the projects listed above and expects to issue the remaining debt and complete these projects over the next several years.

Various other claims and lawsuits are pending against the City. In the opinion of city management, the potential loss on all claims and lawsuits pending will not be significant to the City's financial statements.

## **NOTE 19 – OUTDOOR SPORTS FACILITY**

The City is constructing a recreational complex that will include baseball facilities and will promote sports tourism. The project consists of lighted baseball fields, a training area, batting cages, two-level clubhouse, and a concession and pavilion area. Each baseball field will resemble a historic ballpark and be used to host youth baseball tournaments among other events. The City has entered into contractual agreements for the design and construction of the project totaling \$23,000,000, with costs incurred to date of approximately \$18,000,000. The City has issued two General Obligation Bonds totaling \$19,640,000 related to the project and plans a third issuance in March 2016. The facility is expected to be completed in December 2015 and hosting events in spring 2016. The City has entered into a management agreement with an outside party to manage the operations of the facility.

## **REQUIRED SUPPLEMENTARY INFORMATION SECTION**

**CITY OF PIGEON FORGE, TENNESSEE**

**SCHEDULE OF FUNDING PROGRESS FOR THE CITY OF PIGEON FORGE'S  
OTHER POST-EMPLOYMENT BENEFITS**

Actuarial Valuation	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/14	\$0	\$950,339	\$950,339	0%	\$13,142,231	7.3%
07/01/13	\$0	\$884,000	\$884,000	0%	\$12,146,348	6.6%

The City's other post-employment benefits are accounted for in accordance with GASB 45 which was adopted effective July 1, 2008. See Note 10 for actuarial assumptions and other information related to the City's other post-employment benefits.

## **OTHER SUPPLEMENTARY INFORMATION SECTION**

**CITY OF PIGEON FORGE, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2015**

	Special Revenue Funds				Capital Project Funds		Total Nonmajor Governmental Funds
	State Street Aid Fund	Solid Waste Fund	Drug Fund	Tourism Development Zone Fund	City Buildings	Construction	
<b>- ASSETS -</b>							
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0	\$ 0	\$ 71,583	\$ 309,884	\$ 381,467
Due from Other Funds	0	97,136	0	368,362	0	0	465,498
Restricted Assets							
Cash	451,452	784,411	376,787	0	0	0	1,612,650
Receivables	45,208	0	0	0	0	0	45,208
<b>TOTAL ASSETS</b>	<b>\$ 496,660</b>	<b>\$ 881,547</b>	<b>\$ 376,787</b>	<b>\$ 368,362</b>	<b>\$ 71,583</b>	<b>\$ 309,884</b>	<b>\$ 2,504,823</b>
<b>- LIABILITIES AND FUND BALANCES -</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ 13,785	\$ 96,361	\$ 174	\$ 0	\$ 0	\$ 0	\$ 110,320
<b>Total Liabilities</b>	<b>13,785</b>	<b>96,361</b>	<b>174</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>110,320</b>
<b>FUND BALANCES</b>							
Restricted	482,875	785,186	376,613	368,362	0	0	2,013,036
Unrestricted							
Assigned	0	0	0	0	71,583	309,884	381,467
<b>Total Fund Balances</b>	<b>482,875</b>	<b>785,186</b>	<b>376,613</b>	<b>368,362</b>	<b>71,583</b>	<b>309,884</b>	<b>2,394,503</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 496,660</b>	<b>\$ 881,547</b>	<b>\$ 376,787</b>	<b>\$ 368,362</b>	<b>\$ 71,583</b>	<b>\$ 309,884</b>	<b>\$ 2,504,823</b>

See Independent Auditor's Report.

**CITY OF PIGEON FORGE, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

	Special Revenue Funds				Capital Project Funds		Total Nonmajor Governmental Funds
	State Street Aid Fund	Solid Waste Fund	Drug Fund	Tourism Development Zone Fund	City Buildings Fund	Construction Fund	
<b>REVENUES:</b>							
State Gasoline and Motor Fuel Tax (Intergovernmental)	\$ 247,065	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 247,065
State Sales Tax (Intergovernmental)	0	0	0	3,665,056	0	0	3,665,056
Fees and Charges for Services	0	1,117,090	0	0	0	0	1,117,090
Fines and Penalties	0	9,139	43,662	0	0	0	52,801
Interest and Dividends	0	1,057	0	0	35	464	1,556
<b>Total Revenues</b>	<u>247,065</u>	<u>1,127,286</u>	<u>43,662</u>	<u>3,665,056</u>	<u>35</u>	<u>464</u>	<u>5,083,568</u>
<b>EXPENDITURES:</b>							
Highways and Streets	125,007	0	0	0	0	0	125,007
Solid Waste/Sanitation	0	1,640,835	0	0	0	0	1,640,835
Drug Prevention	0	0	12,908	0	0	0	12,908
Debt Service	0	241,313	0	1,785,879	0	0	2,027,192
<b>Total Expenditures</b>	<u>125,007</u>	<u>1,882,148</u>	<u>12,908</u>	<u>1,785,879</u>	<u>0</u>	<u>0</u>	<u>3,805,942</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>122,058</u>	<u>(754,862)</u>	<u>30,754</u>	<u>1,879,177</u>	<u>35</u>	<u>464</u>	<u>1,277,626</u>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers to Other Funds	0	0	0	(2,628,716)	0	0	(2,628,716)
Transfers from Other Funds	0	837,492	0	0	0	0	837,492
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>837,492</u>	<u>0</u>	<u>(2,628,716)</u>	<u>0</u>	<u>0</u>	<u>(1,791,224)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>122,058</u>	<u>82,630</u>	<u>30,754</u>	<u>(749,539)</u>	<u>35</u>	<u>464</u>	<u>(513,598)</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>360,817</u>	<u>702,556</u>	<u>345,859</u>	<u>1,117,901</u>	<u>71,548</u>	<u>309,420</u>	<u>2,908,101</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 482,875</u>	<u>\$ 785,186</u>	<u>\$ 376,613</u>	<u>\$ 368,362</u>	<u>\$ 71,583</u>	<u>\$ 309,884</u>	<u>\$ 2,394,503</u>

See Independent Auditor's Report.

**CITY OF PIGEON FORGE, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND - STATE STREET AID FUND**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
State Gasoline and Motor Fuel Tax	\$ 200,000	\$ 200,000	\$ 247,065	\$ 47,065
<b>EXPENDITURES:</b>				
Street Lighting Maintenance	75,000	75,000	87,916	(12,916)
Traffic Signal Maintenance	38,000	38,000	36,933	1,067
Street Repair and Maintenance	87,000	87,000	158	86,842
<b>Total Expenditures</b>	<u>200,000</u>	<u>200,000</u>	<u>125,007</u>	<u>74,993</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	0	0	122,058	122,058
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>360,817</u>	<u>360,817</u>	<u>360,817</u>	<u>0</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 360,817</u>	<u>\$ 360,817</u>	<u>\$ 482,875</u>	<u>\$ 122,058</u>

**CITY OF PIGEON FORGE, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND - SOLID WASTE FUND**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Charges for Services	\$ 1,115,000	\$ 1,115,000	\$ 1,117,090	\$ 2,090
Fines and Penalties	12,000	12,000	9,139	(2,861)
Interest	750	750	1,057	307
<b>Total Revenues</b>	<u>1,127,750</u>	<u>1,127,750</u>	<u>1,127,286</u>	<u>(464)</u>
<b>EXPENDITURES</b>				
Personnel Costs	745,736	745,736	691,481	54,255
Supplies	243,247	243,247	195,816	47,431
Maintenance	23,880	23,880	13,271	10,609
General Services	711,066	711,066	740,267	(29,201)
Debt Service	241,313	241,313	241,313	0
<b>Total Expenditures</b>	<u>1,965,242</u>	<u>1,965,242</u>	<u>1,882,148</u>	<u>83,094</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(837,492)</u>	<u>(837,492)</u>	<u>(754,862)</u>	<u>82,630</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from General Fund	837,492	837,492	837,492	0
<b>Total Other Financing Sources (Uses)</b>	<u>837,492</u>	<u>837,492</u>	<u>837,492</u>	<u>0</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	0	0	82,630	82,630
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>702,556</u>	<u>702,556</u>	<u>702,556</u>	<u>0</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 702,556</u>	<u>\$ 702,556</u>	<u>\$ 785,186</u>	<u>\$ 82,630</u>

See Independent Auditor's Report.



**CITY OF PIGEON FORGE, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND - DRUG FUND**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Fines and Penalties	\$ 30,000	\$ 30,000	\$ 43,662	\$ 13,662
Interest	10,000	10,000	0	(10,000)
<b>Total Revenues</b>	<u>40,000</u>	<u>40,000</u>	<u>43,662</u>	<u>3,662</u>
<b>EXPENDITURES:</b>				
Operating Supplies	2,920	2,920	3,678	(758)
Public Relations	4,500	4,500	934	3,566
Informant Payments	22,680	22,680	6,000	16,680
Repairs	5,000	5,000	1,422	3,578
Other	4,900	4,900	874	4,026
Capital Outlay	0	70,000	0	70,000
<b>Total Expenditures</b>	<u>40,000</u>	<u>110,000</u>	<u>12,908</u>	<u>97,092</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	0	(70,000)	30,754	100,754
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>345,859</u>	<u>345,859</u>	<u>345,859</u>	<u>0</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 345,859</u>	<u>\$ 275,859</u>	<u>\$ 376,613</u>	<u>\$ 100,754</u>

See Independent Auditor's Report.

**CITY OF PIGEON FORGE, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND - TOURISM DEVELOPMENT ZONE FUND**

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
State Sales Tax	\$ 4,098,748	\$ 4,098,748	\$ 3,665,056	\$ (433,692)
<b>Total Revenues</b>	<u>4,098,748</u>	<u>4,098,748</u>	<u>3,665,056</u>	<u>(433,692)</u>
<b>EXPENDITURES:</b>				
Debt Service	<u>6,113,204</u>	<u>6,113,204</u>	<u>1,785,879</u>	<u>4,327,325</u>
<b>EXCESS (DEFICIENCY) OF REVENUES (OVER) (UNDER) EXPENDITURES</b>	<u>(2,014,456)</u>	<u>(2,014,456)</u>	<u>1,879,177</u>	<u>3,893,633</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to Event Center Fund	0	0	(2,628,716)	(2,628,716)
Transfer from General Fund	597,512	597,512	0	(597,512)
Transfer from Water and Sewer Fund	<u>1,416,944</u>	<u>1,416,944</u>	<u>0</u>	<u>(1,416,944)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>2,014,456</u>	<u>2,014,456</u>	<u>(2,628,716)</u>	<u>(4,643,172)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	0	0	(749,539)	(749,539)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>1,117,901</u>	<u>1,117,901</u>	<u>1,117,901</u>	<u>0</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 1,117,901</u>	<u>\$ 1,117,901</u>	<u>\$ 368,362</u>	<u>\$ (749,539)</u>

See Independent Auditor's Report.

**CITY OF PIGEON FORGE, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN**  
**NET POSITION - BUDGET AND ACTUAL**

**PROPRIETARY FUND - WATER AND SEWER FUND**

**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>OPERATING REVENUES:</b>				
Fees and Charges for Services:				
Water Sales	\$ 7,802,542	\$ 7,802,542	\$ 7,911,700	\$ 109,158
Sewer Service Charges	5,344,383	5,344,383	5,649,972	305,589
Other Fees and Charges for Services	86,400	86,400	76,550	(9,850)
Total Fees and Charges for Services	13,233,325	13,233,325	13,638,222	404,897
 Fines and Penalties	100,000	100,000	103,453	3,453
Other Revenues	60,000	60,000	91,487	31,487
Tap Fees	100,000	100,000	243,524	143,524
 <b>Total Operating Revenues</b>	<b>13,493,325</b>	<b>13,493,325</b>	<b>14,076,686</b>	<b>583,361</b>
 <b>OPERATING EXPENSES:</b>				
<b>Purification</b>				
Personnel Costs	527,011	527,011	494,356	32,655
Supplies	299,740	299,740	250,281	49,459
Maintenance	181,500	181,500	66,083	115,417
General Services	353,742	353,742	438,734	(84,992)
Capital Outlay	1,056,330	1,056,330	184,196	872,134
<b>Total Purification</b>	<b>2,418,323</b>	<b>2,418,323</b>	<b>1,433,650</b>	<b>984,673</b>
 <b>Transmission and Distribution</b>				
Personnel Costs	435,507	435,507	433,187	2,320
Supplies	360,509	327,753	274,525	53,228
Maintenance	8,650	10,150	6,286	3,864
General Services	168,280	198,380	142,536	55,844
Capital Outlay	407,510	408,666	5,603	403,063
<b>Total Transmission and Distribution</b>	<b>1,380,456</b>	<b>1,380,456</b>	<b>862,137</b>	<b>518,319</b>
 <b>Sewer System</b>				
Personnel Costs	275,474	275,474	279,242	(3,768)
Supplies	17,410	17,410	15,427	1,983
Maintenance	600	600	0	600
General Services	76,000	76,000	73,176	2,824
Capital Outlay	0	152,500	0	152,500
<b>Total Sewer System</b>	<b>369,484</b>	<b>521,984</b>	<b>367,845</b>	<b>154,139</b>
 <b>Sewer Treatment and Disposal</b>				
General Services	2,573,696	2,573,696	2,538,246	35,450
Maintenance	429,000	509,000	17,897	491,103
<b>Total Sewer Treatment and Disposal</b>	<b>3,002,696</b>	<b>3,082,696</b>	<b>2,556,143</b>	<b>526,553</b>

See Independent Auditor's Report.

**CITY OF PIGEON FORGE, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN**  
**NET POSITION - BUDGET AND ACTUAL (Continued)**  
**PROPRIETARY FUND - WATER AND SEWER FUND**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>OPERATING EXPENSES (Continued):</b>				
<b>Customer Accounting and Collections</b>				
Personnel Costs	117,858	117,858	109,680	8,178
Supplies	13,600	10,100	2,285	7,815
Maintenance	53,177	53,177	40,611	12,566
General Services	4,210	4,210	1,515	2,695
Capital Outlay	34,000	37,500	118	37,382
<b>Total Customer Accounting and Collections</b>	<u>222,845</u>	<u>222,845</u>	<u>154,209</u>	<u>68,636</u>
<b>Administrative and General</b>				
Personnel Costs	6,750	6,750	12,490	(5,740)
General Services	2,024,497	2,049,497	774,545	1,274,952
Capital Outlay	1,084,613	1,084,613	0	1,084,613
<b>Total Administrative and General</b>	<u>3,115,860</u>	<u>3,140,860</u>	<u>787,035</u>	<u>2,353,825</u>
<b>Other Operating Expenses</b>				
Depreciation	<u>0</u>	<u>0</u>	<u>1,411,865</u>	<u>(1,411,865)</u>
<b>Total Other Operating Expenses</b>	<u>0</u>	<u>0</u>	<u>1,411,865</u>	<u>(1,411,865)</u>
<b>Total Operating Expenses</b>	<u>10,509,664</u>	<u>10,767,164</u>	<u>7,572,884</u>	<u>3,194,280</u>
<b>OPERATING INCOME (LOSS)</b>	<u>2,983,661</u>	<u>2,726,161</u>	<u>6,503,802</u>	<u>3,777,641</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest and Dividends	21,000	21,000	298,908	277,908
Debt Service Fees	0	0	(87,693)	(87,693)
Interest Expense	(1,587,717)	(1,587,717)	(1,284,790)	302,927
Change in Fair Value of Investments	0	0	(49,870)	(49,870)
Change in Fair Value of Derivatives - Interest Rate Swap	<u>0</u>	<u>0</u>	<u>(68,160)</u>	<u>(68,160)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(1,566,717)</u>	<u>(1,566,717)</u>	<u>(1,191,605)</u>	<u>375,112</u>

See Independent Auditor's Report.

**CITY OF PIGEON FORGE, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN**  
**NET POSITION - BUDGET AND ACTUAL (Continued)**  
**PROPRIETARY FUND - WATER AND SEWER FUND**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>CHANGE IN NET POSITION BEFORE TRANSFERS</b>	1,416,944	1,159,444	5,312,197	4,152,753
<b>TRANSFERS TO OTHER FUNDS</b>	<u>(1,416,944)</u>	<u>(1,416,944)</u>	<u>0</u>	<u>1,416,944</u>
<b>CHANGE IN NET POSITION</b>	<u>0</u>	<u>(257,500)</u>	<u>5,312,197</u>	<u>5,569,697</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>41,209,181</u>	<u>41,209,181</u>	<u>41,209,181</u>	<u>0</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 41,209,181</u>	<u>\$ 40,951,681</u>	<u>\$ 46,521,378</u>	<u>\$ 5,569,697</u>

See Independent Auditor's Report.

**CITY OF PIGEON FORGE, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN**  
**NET POSITION - BUDGET AND ACTUAL**  
**PROPRIETARY FUND - LECONTE CENTER**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>OPERATING REVENUES:</b>				
Fees and Charges for Services:	\$ 476,500	\$ 476,500	\$ 657,737	\$ 181,237
<b>Total Operating Revenues</b>	<u>476,500</u>	<u>476,500</u>	<u>657,737</u>	<u>181,237</u>
<b>OPERATING EXPENSES:</b>				
Personnel Costs	488,643	488,643	447,006	41,637
Supplies	115,449	114,224	73,738	40,486
Maintenance	74,470	74,470	38,436	36,034
General Services	969,066	970,291	770,000	200,291
Depreciation	0	0	1,396,533	(1,396,533)
<b>Total Operating Expenses</b>	<u>1,647,628</u>	<u>1,647,628</u>	<u>2,725,713</u>	<u>(1,078,085)</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(1,171,128)</u>	<u>(1,171,128)</u>	<u>(2,067,976)</u>	<u>(896,848)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Expense	0	(2,629,000)	(2,312,928)	316,072
<b>CHANGE IN NET POSITION BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<u>(1,171,128)</u>	<u>(3,800,128)</u>	<u>(4,380,904)</u>	<u>(580,776)</u>
<b>CAPITAL CONTRIBUTION - CAPITAL ASSETS</b>	0	0	54,566	54,566
<b>TRANSFERS FROM OTHER FUNDS</b>	<u>1,171,128</u>	<u>1,171,128</u>	<u>3,799,844</u>	<u>2,628,716</u>
<b>CHANGE IN NET POSITION</b>	0	(2,629,000)	(526,494)	2,102,506
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>4,102,549</u>	<u>4,102,549</u>	<u>4,102,549</u>	<u>0</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 4,102,549</u>	<u>\$ 1,473,549</u>	<u>\$ 3,576,055</u>	<u>\$ 2,102,506</u>

See Independent Auditor's Report.

**CITY OF PIGEON FORGE, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**For the Year Ended June 30, 2015**

<b>Federal Grantor/Pass-through Grantor Program</b>	<b>CFDA Number</b>	<b>Grant Number Contract Number</b>	<b>Receivable (Deferral) June 30, 2014</b>	<b>Cash Receipts</b>	<b>Expenditures</b>	<b>Adjustments</b>	<b>Receivable (Deferral) June 30, 2015</b>
<b>Federal Awards</b>							
U.S. Department of Homeland Security:							
U.S. Department of Homeland Security Direct Assistance:							
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2012-FF-00185	\$ 17,668	\$ 0	\$ 57,916	\$ 0	\$ 75,584
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2012-FH-00342	85,110	0	96,013	0	181,123
Total CFDA Number 97.083			<u>102,778</u>	<u>0</u>	<u>153,929</u>	<u>0</u>	<u>256,707</u>
Total U.S. Department of Homeland Security Direct Programs			<u>102,778</u>	<u>0</u>	<u>153,929</u>	<u>0</u>	<u>256,707</u>
Passed through the Tennessee Emergency Management Agency:							
Hazard Mitigation Grant	97.039	HMGP-1909-0084	<u>220,498</u>	<u>248,862</u>	<u>28,364</u>	<u>0</u>	<u>0</u>
Total passed through the Tennessee Emergency Management Agency			<u>220,498</u>	<u>248,862</u>	<u>28,364</u>	<u>0</u>	<u>0</u>
Total U.S. Department of Homeland Security			<u>323,276</u>	<u>248,862</u>	<u>182,293</u>	<u>0</u>	<u>256,707</u>
U.S. Department of Transportation							
Passed through the Tennessee Department of Transportation:							
Trolley Capital Assistance	20.509	TN-04-0045-01	<u>163,760</u>	<u>0</u>	<u>0</u>	<u>(163,760)</u>	<u>0</u>
Total CFDA Number 20.509			<u>163,760</u>	<u>0</u>	<u>0</u>	<u>(163,760)</u>	<u>0</u>
High Visibility Law Enforcement Campaign Grant	20.607	Z-14-GHS2-76	<u>0</u>	<u>4,626</u>	<u>4,626</u>	<u>0</u>	<u>0</u>
High Visibility Law Enforcement Campaign Grant	20.607	Z-14-GHS2-78	<u>0</u>	<u>4,957</u>	<u>4,957</u>	<u>0</u>	<u>0</u>
Total CFDA Number 20.607			<u>0</u>	<u>9,582</u>	<u>9,582</u>	<u>0</u>	<u>0</u>
Total Passed through the Tennessee Department of Transportation			<u>163,760</u>	<u>9,582</u>	<u>9,582</u>	<u>(163,760)</u>	<u>0</u>
Total Federal Awards			<u>487,036</u>	<u>258,444</u>	<u>191,875</u>	<u>(163,760)</u>	<u>256,707</u>

See Independent Auditor's Report.

**CITY OF PIGEON FORGE, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (Continued)**  
**For the Year Ended June 30, 2015**

<b>Federal Grantor/Pass-through Grantor Program</b>	<b>CFDA Number</b>	<b>Grant Number Contract Number</b>	<b>Receivable (Deferral) June 30, 2014</b>	<b>Cash Receipts</b>	<b>Expenditures</b>	<b>Adjustments</b>	<b>Receivable (Deferral) June 30, 2015</b>
<b>State Awards</b>							
Tennessee Department of Transportation							
Trolley Capital Assistance		GG-12-39431-00	\$ 20,729	\$ 0	\$ 0	\$ (20,729)	\$ 0
Trolley Operating Assistance Grant		GG-14-40011-00	324,468	324,468	0	0	0
Trolley Operating Assistance Grant		Z-15-UROP10-00	<u>0</u>	<u>0</u>	<u>606,100</u>	<u>0</u>	<u>606,100</u>
Total Awards from Tennessee Department of Transportation			<u>345,197</u>	<u>324,468</u>	<u>606,100</u>	<u>(20,729)</u>	<u>606,100</u>
Tennessee State Library and Archives							
Library Serves and Technology Grant		30504-00315-107	<u>0</u>	<u>961</u>	<u>961</u>	<u>0</u>	<u>0</u>
Total Awards from Tennessee Office of the Secretary of State			<u>0</u>	<u>961</u>	<u>961</u>	<u>0</u>	<u>0</u>
Total State Awards			<u>345,197</u>	<u>325,429</u>	<u>607,061</u>	<u>(20,729)</u>	<u>606,100</u>
Total Federal and State Awards			<u>\$ 832,233</u>	<u>\$ 583,873</u>	<u>\$ 798,936</u>	<u>\$ (184,489)</u>	<u>\$ 862,807</u>

See Independent Auditor's Report.



**CITY OF PIGEON FORGE, TENNESSEE**

**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

**For the Year Ended June 30, 2015**

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Pigeon Forge, Tennessee, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CITY OF PIGEON FORGE, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY DIVISION**  
**PROPRIETARY FUND - WATER AND SEWER**  
**For the Year Ended June 30, 2015**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES:</b>			
Fees and Charges for Services	\$ 8,052,919	\$ 5,585,303	\$ 13,638,222
Fines and Penalties	62,072	41,381	103,453
Other Revenues	59,676	31,811	91,487
Tap Fees	<u>160,424</u>	<u>83,100</u>	<u>243,524</u>
<b>Total Operating Revenues</b>	<u>8,335,091</u>	<u>5,741,595</u>	<u>14,076,686</u>
<b>OPERATING EXPENSES:</b>			
Purification	1,433,650	0	1,433,650
Transmission and Distribution	862,137	0	862,137
Sewer System	0	367,845	367,845
Sewer Treatment and Disposal	0	2,556,143	2,556,143
Customer Accounting and Collections	92,526	61,683	154,209
Administrative and General	624,253	162,782	787,035
Depreciation	<u>847,119</u>	<u>564,746</u>	<u>1,411,865</u>
<b>Total Operating Expenses</b>	<u>3,859,685</u>	<u>3,713,199</u>	<u>7,572,884</u>
<b>OPERATING INCOME (LOSS)</b>	<u>4,475,406</u>	<u>2,028,396</u>	<u>6,503,802</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest and Dividends	239,126	59,782	298,908
Debt Service Fees	(70,154)	(17,539)	(87,693)
Interest Expense	(513,916)	(770,874)	(1,284,790)
Change in Fair Value of Investments	(24,935)	(24,935)	(49,870)
Change in Fair Value of Derivatives - Interest Rate Swap	<u>(34,080)</u>	<u>(34,080)</u>	<u>(68,160)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(403,959)</u>	<u>(787,646)</u>	<u>(1,191,605)</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 4,071,447</u>	<u>\$ 1,240,750</u>	<u>5,312,197</u>
<b>NET POSITION, BEGINNING OF YEAR</b>			<u>41,209,181</u>
<b>NET POSITION, END OF YEAR</b>			<u>\$ 46,521,378</u>

See Independent Auditor's Report.

**OTHER UNAUDITED SUPPLEMENTARY INFORMATION SECTION**

**CITY OF PIGEON FORGE, TENNESSEE**  
**SCHEDULE OF LONG-TERM DEBT, PRINCIPAL, AND INTEREST REQUIREMENTS - GOVERNMENTAL ACTIVITIES**  
**As of June 30, 2015**

	General Obligation Bonds			General Obligation Refunding Bonds			Loans Payable to Public Building Authority		
	Series 2012			Series 2008A			VII-K-1		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 700,000	\$ 874,100	\$ 1,574,100	\$ 286,059	\$ 402,817	\$ 688,876	\$ 15,000	\$ 861,750	\$ 876,750
2017	750,000	856,600	1,606,600	291,896	390,660	682,556	100,000	861,000	961,000
2018	775,000	837,850	1,612,850	291,896	378,984	670,880	125,000	856,000	981,000
2019	800,000	806,850	1,606,850	291,896	366,578	658,475	150,000	849,750	999,750
2020	825,000	774,850	1,599,850	291,896	354,902	646,798	175,000	842,250	1,017,250
2021-2025	4,675,000	3,348,250	8,023,250	4,074,875	1,378,933	5,453,808	5,410,000	3,638,750	9,048,750
2026-2030	5,700,000	2,370,750	8,070,750	3,138,203	314,665	3,452,868	9,025,000	2,102,750	11,127,750
2031-2035	6,925,000	1,342,688	8,267,688	0	0	0	2,235,000	286,250	2,521,250
2036-2040	3,175,000	168,000	3,343,000	0	0	0	0	0	0
	<u>\$ 24,325,000</u>	<u>\$ 11,379,938</u>	<u>\$ 35,704,938</u>	<u>\$ 8,666,721</u>	<u>\$ 3,587,539</u>	<u>\$ 12,254,260</u>	<u>\$ 17,235,000</u>	<u>\$ 10,298,500</u>	<u>\$ 27,533,500</u>

	General Obligation Refunding Bonds			General Obligation Refunding Bonds			General Obligation Bonds		
	Series 2009			Series 2009B			Series 2014		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 225,000	\$ 8,437	\$ 233,437	\$ 1,995,000	\$ 445,713	\$ 2,440,713	\$ 330,000	\$ 286,913	\$ 616,913
2017	0	0	0	2,075,000	365,913	2,440,913	335,000	277,012	612,012
2018	0	0	0	2,140,000	277,725	2,417,725	345,000	266,963	611,963
2019	0	0	0	2,230,000	186,775	2,416,775	360,000	256,612	616,612
2020	0	0	0	2,300,000	92,000	2,392,000	370,000	245,813	615,813
2021-2025	0	0	0	0	0	0	1,990,000	1,078,450	3,068,450
2026-2030	0	0	0	0	0	0	2,240,000	827,188	3,067,188
2031-2035	0	0	0	0	0	0	2,610,000	464,975	3,074,975
2036-2040	0	0	0	0	0	0	1,170,000	57,363	1,227,363
	<u>\$ 225,000</u>	<u>\$ 8,437</u>	<u>\$ 233,437</u>	<u>\$ 10,740,000</u>	<u>\$ 1,368,125</u>	<u>\$ 12,108,125</u>	<u>\$ 9,750,000</u>	<u>\$ 3,761,289</u>	<u>\$ 13,511,289</u>

	General Obligation Bonds		
	Series 2015		
	Principal	Interest	Total
2016	\$ 355,000	\$ 240,585	\$ 595,585
2017	365,000	233,485	598,485
2018	370,000	226,185	596,185
2019	380,000	218,785	598,785
2020	385,000	211,185	596,185
2021-2025	2,045,000	937,125	2,982,125
2026-2030	2,275,000	714,178	2,989,178
2031-2035	2,575,000	403,537	2,978,537
2036-2040	1,140,000	51,600	1,191,600
	<u>\$ 9,890,000</u>	<u>\$ 3,236,665</u>	<u>\$ 13,126,665</u>

See Independent Auditor's Report.

**CITY OF PIGEON FORGE, TENNESSEE**

**SCHEDULE OF LONG-TERM DEBT, PRINCIPAL, AND INTEREST REQUIREMENTS - BUSINESS-TYPE ACTIVITIES**

**As of June 30, 2015**

	General Obligation Refunding Bonds Series 2009			Loans Payable to Public Building Authority Series VII-K-1 **				
	Principal	Interest	Total	Principal	Interest	Interest Rate Swap, Net	Total Interest	Total
2016	\$ 180,000	\$ 34,695	\$ 214,695	\$ 385,000	\$ 106,574	\$ 405,647	\$ 512,221	\$ 897,221
2017	185,000	27,945	212,945	410,000	103,219	392,877	496,096	906,096
2018	190,000	21,470	211,470	435,000	99,646	379,278	478,924	913,924
2019	195,000	14,820	209,820	460,000	95,855	364,850	460,705	920,705
2020	195,000	7,410	202,410	485,000	91,847	349,593	441,440	926,440
2021-2025	0	0	0	4,305,000	367,431	1,398,537	1,765,968	6,070,968
2026-2030	0	0	0	5,750,000	156,200	594,540	750,740	6,500,740
	<u>\$ 945,000</u>	<u>\$ 106,340</u>	<u>\$ 1,051,340</u>	<u>\$ 12,230,000</u>	<u>\$ 1,020,772</u>	<u>\$ 3,885,322</u>	<u>\$ 4,906,094</u>	<u>\$ 17,136,094</u>

	General Obligation Refunding Bonds Series 2008A			General Obligation Bonds Series 2010				
	Principal	Interest	Total	Principal	Coupon Interest	BABS Treasury Rebate	Net Interest	Total Requirements
2016	\$ 203,941	\$ 287,181	\$ 491,122	\$ 0	\$ 3,174,250	\$ (1,331,598)	\$ 1,842,652	\$ 1,842,652
2017	208,104	278,514	486,618	0	3,174,250	(1,331,598)	1,842,652	1,842,652
2018	208,104	270,190	478,294	0	3,174,250	(1,331,598)	1,842,652	1,842,652
2019	208,104	261,345	469,449	0	3,174,250	(1,331,598)	1,842,652	1,842,652
2020	208,104	253,021	461,125	0	3,174,250	(1,331,598)	1,842,652	1,842,652
2021-2025	2,905,126	983,084	3,888,210	0	15,871,250	(6,657,989)	9,213,261	9,213,261
2026-2030	2,261,776	224,334	2,486,110	6,700,000	15,191,250	(6,372,729)	8,818,521	15,518,521
2031-2035	0	0	0	17,300,000	11,208,750	(4,702,071)	6,506,679	23,806,679
2036-2040	0	0	0	21,000,000	4,613,438	(1,935,337)	2,678,101	23,678,101
	<u>\$ 6,203,258</u>	<u>\$ 2,557,670</u>	<u>\$ 8,760,928</u>	<u>\$ 45,000,000</u>	<u>\$ 62,755,938</u>	<u>\$ (26,326,116)</u>	<u>\$ 36,429,822</u>	<u>\$ 81,429,822</u>

\*\* - Includes an interest rate swap with effective date through 2030.

See Independent Auditor's Report.

CITY OF PIGEON FORGE, TENNESSEE

SCHEDULE OF LONG-TERM DEBT, PRINCIPAL, AND INTEREST  
REQUIREMENTS - INDUSTRIAL DEVELOPMENT BOARD

As of June 30, 2015

Public Facility Bonds Series 2011			
	Principal	Interest	Total
2016	\$ 330,000	\$ 2,304,275	\$ 2,634,275
2017	350,000	2,294,375	2,644,375
2018	400,000	2,283,875	2,683,875
2019	400,000	2,267,875	2,667,875
2020	450,000	2,251,875	2,701,875
2021-2025	10,500,000	10,210,875	20,710,875
2026-2030	13,350,000	7,378,750	20,728,750
2031-2035	18,050,000	3,873,750	21,923,750
2036	5,000,000	225,000	5,225,000
	<u>\$ 48,830,000</u>	<u>\$ 33,090,650</u>	<u>\$ 81,920,650</u>

See Independent Auditor's Report.

**CITY OF PIGEON FORGE, TENNESSEE**  
**SCHEDULES OF PROPERTY TAX INFORMATION**  
**For the Year Ended June 30, 2015**

**CHANGES IN TAXES RECEIVABLE**

	Current Year	Prior Years	Total
<b>Balance at Beginning of Year</b>	\$ 0	\$ 171,746	\$ 171,746
<b>Add:</b>			
2015 Taxes Levied	1,247,113	0	1,247,113
2014 Taxes Levied	1,241,202	0	1,241,202
Adjustments	3,409	0	3,409
	<u>2,491,724</u>	<u>0</u>	<u>2,491,724</u>
<b>Less:</b>			
Collections	<u>1,180,296</u>	<u>139,802</u>	<u>1,320,098</u>
<b>TAXES RECEIVABLE BEFORE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS</b>	1,311,428	31,944	1,343,372
<b>Less:</b>			
Allowance for Uncollectible Accounts	<u>8,701</u>	<u>773</u>	<u>9,474</u>
<b>TAXES RECEIVABLE, NET</b>	<u>\$ 1,302,727</u>	<u>\$ 31,171</u>	<u>\$ 1,333,898</u>

**TAX ASSESSMENTS AND UNPAID BALANCES**

Tax Year	Assessed Values	Tax Rate Per \$100	Total Levy	Adjustments, Collections, Releases and Abatements in Prior Years	Adjustments, Collections, Releases and Abatements in Current Year	Unpaid Balances
2015	\$ 623,556,399	0.200%	\$ 1,247,113	\$ 0	\$ 0	\$ 1,247,113
2014	620,600,883	0.200%	1,241,202	0	1,176,887	64,315
2013	610,964,011	0.200%	1,222,531	1,097,862	102,747	21,922
2012	606,602,130	0.200%	1,213,000	1,179,489	26,620	6,891
2011	605,096,338	0.200%	1,210,020	1,200,919	7,533	1,568
2010	642,934,304	0.124%	798,570	795,041	2,902	627
2009	641,429,200	0.124%	796,767	796,194	0	573
2008	632,897,787	0.124%	786,123	785,999	0	124
2007	608,140,605	0.124%	755,600	755,525	0	75
2006	574,949,812	0.124%	714,224	714,149	0	75
2005	477,386,473	0.124%	592,946	592,856	0	90
						<u>\$ 1,343,372</u>

Property taxes unpaid for periods prior to 2004 have been filed with the Sevier County Circuit Court Clerk.

See Independent Auditor's Report.

**CITY OF PIGEON FORGE, TENNESSEE**  
**WATER AND SEWER FUND**  
**SCHEDULE OF WATER AND SEWER RATES**  
**June 30, 2015**

**Within City Limits**  
**Residential and Small Commercial**

	<u>Water</u>	<u>Sewer</u>
First 2,000 Gallons	\$17.70 (Minimum)	\$17.70 (Minimum)
Over 2,000 Gallons	\$6.52/1,000 Gallons	\$6.52/1,000 Gallons

**Outside City Limits**  
**Residential and Small Commercial**

	<u>Water</u>	<u>Sewer</u>
First 2,000 Gallons	\$26.52 (Minimum)	\$26.53 (Minimum)
Over 2,000 Gallons	\$9.44/1,000 Gallons	\$9.44/1,000 Gallons

**SCHEDULE OF NUMBER OF CUSTOMERS BY MONTH**  
**For the Year Ended June 30, 2015**

July	5,059
August	5,092
September	5,086
October	5,096
November	5,086
December	5,076
January	5,075
February	5,063
March	5,070
April	5,085
May	5,095
June	5,093



AWWA Free Water Audit Software: Reporting Worksheet		WAS v5.0 American Water Works Association, Copyright © 2014, All Rights Reserved.
?	Click to access definition	
+	Click to add a comment	
<b>Water Audit Report for:</b> <span style="border: 1px solid black; padding: 2px;">City of Pigeon Forge</span> <b>Reporting Year:</b> <span style="border: 1px solid black; padding: 2px;">2015</span> <span style="border: 1px solid black; padding: 2px;">7/2014 - 6/2015</span>		
Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades		
<b>All volumes to be entered as: MILLION GALLONS (US) PER YEAR</b>		
To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.		
<b>WATER SUPPLIED</b> <----- Enter grading in column 'E' and 'J' ----->		Master Meter and Supply Error Adjustments
Volume from own sources: + ?	<span style="border: 1px solid black; padding: 2px;">8</span> <span style="border: 1px solid black; padding: 2px;">1,571.303</span> MG/Yr	+ ? <span style="border: 1px solid black; padding: 2px;">8</span> <span style="border: 1px solid black; padding: 2px;">1.25%</span> <span style="border: 1px solid black; padding: 2px;">32.443</span> MG/Yr
Water imported: + ?	<span style="border: 1px solid black; padding: 2px;">n/a</span> MG/Yr	+ ? <span style="border: 1px solid black; padding: 2px;">n/a</span> MG/Yr
Water exported: + ?	<span style="border: 1px solid black; padding: 2px;">9</span> <span style="border: 1px solid black; padding: 2px;">102.903</span> MG/Yr	+ ? <span style="border: 1px solid black; padding: 2px;">5</span> MG/Yr
<b>WATER SUPPLIED:</b>		Enter negative % or value for under-registration Enter positive % or value for over-registration
<span style="border: 1px solid black; padding: 2px;">1,468.400</span> MG/Yr		
<b>AUTHORIZED CONSUMPTION</b> Billed metered: + ? <span style="border: 1px solid black; padding: 2px;">8</span> <span style="border: 1px solid black; padding: 2px;">1,136.809</span> MG/Yr Billed unmetered: + ? <span style="border: 1px solid black; padding: 2px;">n/a</span> MG/Yr Unbilled metered: + ? <span style="border: 1px solid black; padding: 2px;">n/a</span> MG/Yr Unbilled unmetered: + ? <span style="border: 1px solid black; padding: 2px;">8</span> <span style="border: 1px solid black; padding: 2px;">32.443</span> MG/Yr Unbilled Unmetered volume entered is greater than the recommended default value		
<b>AUTHORIZED CONSUMPTION:</b>		Click here: ? for help using option buttons below Pcnt: <span style="border: 1px solid black; padding: 2px;">1.25%</span> Value: <span style="border: 1px solid black; padding: 2px;">32.443</span> MG/Yr Use buttons to select percentage of water supplied OR value
<span style="border: 1px solid black; padding: 2px;">?</span> <span style="border: 1px solid black; padding: 2px;">1,169.252</span> MG/Yr		
<b>WATER LOSSES (Water Supplied - Authorized Consumption)</b> <span style="border: 1px solid black; padding: 2px;">299.148</span> MG/Yr		
<b>Apparent Losses</b>		
Unauthorized consumption: + ?	<span style="border: 1px solid black; padding: 2px;">3.671</span> MG/Yr	
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed		
Customer metering inaccuracies: + ?	<span style="border: 1px solid black; padding: 2px;">8</span> <span style="border: 1px solid black; padding: 2px;">35.159</span> MG/Yr	
Systematic data handling errors: + ?	<span style="border: 1px solid black; padding: 2px;">6</span> <span style="border: 1px solid black; padding: 2px;">3.410</span> MG/Yr	
<b>Apparent Losses:</b>		Pcnt: <span style="border: 1px solid black; padding: 2px;">0.25%</span> Value: <span style="border: 1px solid black; padding: 2px;">3.410</span> MG/Yr <span style="border: 1px solid black; padding: 2px;">3.00%</span> <span style="border: 1px solid black; padding: 2px;">3.410</span> MG/Yr <span style="border: 1px solid black; padding: 2px;">0.25%</span> <span style="border: 1px solid black; padding: 2px;">3.410</span> MG/Yr
<span style="border: 1px solid black; padding: 2px;">?</span> <span style="border: 1px solid black; padding: 2px;">42.240</span> MG/Yr		
<b>Real Losses (Current Annual Real Losses or CARL)</b> Real Losses = Water Losses - Apparent Losses: <span style="border: 1px solid black; padding: 2px;">?</span> <span style="border: 1px solid black; padding: 2px;">256.908</span> MG/Yr		
<b>WATER LOSSES:</b>		
<span style="border: 1px solid black; padding: 2px;">299.148</span> MG/Yr		
<b>NON-REVENUE WATER</b> NON-REVENUE WATER: <span style="border: 1px solid black; padding: 2px;">?</span> <span style="border: 1px solid black; padding: 2px;">331.591</span> MG/Yr = Water Losses + Unbilled Metered + Unbilled Unmetered		
<b>SYSTEM DATA</b>		
Length of mains: + ?	<span style="border: 1px solid black; padding: 2px;">9</span> <span style="border: 1px solid black; padding: 2px;">152.2</span> miles	
Number of active AND inactive service connections: + ?	<span style="border: 1px solid black; padding: 2px;">6</span> <span style="border: 1px solid black; padding: 2px;">5,037</span>	
Service connection density:	<span style="border: 1px solid black; padding: 2px;">33</span> conn./mile main	
Are customer meters typically located at the curbstop or property line? <span style="border: 1px solid black; padding: 2px;">Yes</span>		
Average length of customer service line: + ? <span style="border: 1px solid black; padding: 2px;">10</span> ft (length of service line, beyond the property boundary, that is the responsibility of the utility)		
Average length of customer service line has been set to zero and a data grading score of 10 has been applied		
Average operating pressure: + ?	<span style="border: 1px solid black; padding: 2px;">10</span> <span style="border: 1px solid black; padding: 2px;">60.0</span> psi	
<b>COST DATA</b>		
Total annual cost of operating water system: + ?	<span style="border: 1px solid black; padding: 2px;">10</span> <span style="border: 1px solid black; padding: 2px;">\$3,859,685</span> \$/Year	
Customer retail unit cost (applied to Apparent Losses): + ?	<span style="border: 1px solid black; padding: 2px;">9</span> <span style="border: 1px solid black; padding: 2px;">\$6.52</span> \$/1000 gallons (US)	
Variable production cost (applied to Real Losses): + ?	<span style="border: 1px solid black; padding: 2px;">8</span> <span style="border: 1px solid black; padding: 2px;">\$523.19</span> \$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses	
<b>WATER AUDIT DATA VALIDITY SCORE:</b> <div style="border: 1px solid black; padding: 5px; text-align: center;">*** YOUR SCORE IS: 80 out of 100 ***</div> A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score		
<b>PRIORITY AREAS FOR ATTENTION:</b>		
Based on the information provided, audit accuracy can be improved by addressing the following components:		
<span style="border: 1px solid black; padding: 2px;">1: Volume from own sources</span>		
<span style="border: 1px solid black; padding: 2px;">2: Unauthorized consumption</span>		
<span style="border: 1px solid black; padding: 2px;">3: Billed metered</span>		



# **AWWA Free Water Audit Software:** **System Attributes and Performance Indicators**

WAS v5.0  
 American Water Works Association.  
 Copyright © 2014, All Rights Reserved.

Water Audit Report for:   
 Reporting Year:

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 80 out of 100 \*\*\*

System Attributes:

Apparent Losses:	<input type="text" value="42.240"/>	MG/Yr
+	Real Losses:	<input type="text" value="256.908"/>
=	<b>Water Losses:</b>	<input type="text" value="299.148"/>

? Unavoidable Annual Real Losses (UARL):  MG/Yr

Annual cost of Apparent Losses:

Annual cost of Real Losses:

Valued at **Variable Production Cost**  
 Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial: { Non-revenue water as percent by volume of Water Supplied:   
 Non-revenue water as percent by cost of operating system:  Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day:  gallons/connection/day  
 Real Losses per service connection per day:  gallons/connection/day  
 Real Losses per length of main per day\*:   
 Real Losses per service connection per day per psi pressure:  gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL):  million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]:

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

## **COMPLIANCE SECTION**

**KNOXVILLE OFFICE:**

315 NORTH CEDAR BLUFF ROAD – SUITE 200  
KNOXVILLE, TENNESSEE 37923  
TELEPHONE 865-769-0660



PUGH & COMPANY, P.C.  
www.pughcpas.com

**OAK RIDGE OFFICE:**

800 OAK RIDGE TURNPIKE – SUITE A404  
OAK RIDGE, TENNESSEE 37830  
TELEPHONE 865-769-1657

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Board of Commissioners  
City of Pigeon Forge, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pigeon Forge as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Pigeon Forge's basic financial statements, and have issued our report thereon dated December 14, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Pigeon Forge's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Pigeon Forge's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Pigeon Forge's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses and referenced as item 2015-001 that we consider to be a significant deficiency.



An Independently Owned Member  
**MCGLADREY ALLIANCE**



**TSCPA**  
Members of the Tennessee Society  
Of Certified Public Accountants

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Pigeon Forge's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City's Response to Findings**

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee  
December 14, 2015

**CITY OF PIGEON FORGE, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Year Ended June 30, 2015**

**2015-001 Physical Safeguards of Fuel Pumps**

**Criteria or Specific Requirement** - The City should maintain adequate physical safeguards and internal control over fuel pumping areas.

**Condition** – It was noted that there is a lack of physical safeguards and internal control over the City's fuel pumping area. Access to the area is not adequately restricted and the City's key fob and related monitoring software is not fully utilized.

**Cause and Effect** – Individuals pumping fuel cannot be held accountable for the amount of fuel pumped and business purpose. Limited safeguards and internal control increases the potential risk of undetected discrepancies or inappropriate transactions.

**Recommendation** – We recommend that the City physically restrict access to the fuel pumping area and develop a monitoring process to identify individuals and times that fuel has been pumped.

**Management's Response** - Management concurs with the facts of the finding and will implement procedures to provide physical safeguards and strengthened internal controls. The City plans to install security gates which will require individualized access codes during nonbusiness hours. Additionally, the City plans to install security cameras that will focus on the pumping area to provide continuous monitoring. Management is developing procedures to fully utilize the monitoring software in place to restrict the amount of fuel that can be pumped and provide a record of the specific individuals who pump fuel and the time it was pumped.

